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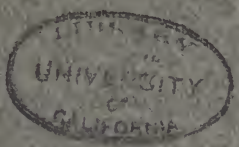
CO-OPERATIVE CREDIT ASSOCIATIONS IN THE PROVINCE OF QUEBEC

A DISSERTATION

SUBMITTED TO THE FACULTY OF THE GRADUATE SCHOOL OF ARTS AND LITERATURE IN CANDIDACY FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

(DEPARTMENT OF SOCIOLOGY)



BY
HECTOR MACPHERSON.

KINGSTON:
1910.

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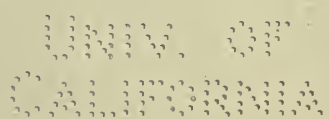

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CHAPTER I.

Erratum (pp. 34-35): The maximum aimed at in the reserve and provident funds is *double and one-half the amount of the paid up stock, respectively*. This is true of the Levis society. The rule among the Quebec associations is a reserve which shall be maintained equal to the total amount of the paid up stock plus the funds held on deposit.

banking company, from whose profits every member, it was expected, would derive at least an easy livelihood."[1] But, coming down to our own times, co-operative credit has now an unbroken record of over half a century to vouch for it, and that record is one which discloses an expansion and success which are trurly marvelous.

The movement took its rise in Germany, which has been called the fatherland of co-operative banking. In 1850, Herr Schulze, Mayor of Delitzsch, who was also a judge and a member of the Prussian National Assembly in 1848, established in Delitzsch-Eilenberg his first loan society with a membership of ten artisans. Two years later he remodeled his society as a self-supporting institution, with a share capital.[2] In 1856, he

[1]Mitford's History of Greece, iv. 22. Quoted by J. W. Gilbert: History, Principles, and Practice of Banking, i, 6-7.

[2]C. R. Fay: Co-operation at Home and Abroad, 19-20.

CHAPTER I.

HISTORICAL SURVEY, SHOWING THE QUEBEC SOCIETIES IN THEIR RELATION TO THE GENERAL CO-OPERATIVE CREDIT MOVEMENT.

Co-operation for the purpose of making credit available at a reasonable rate of interest can no longer be looked at askance as a new and untried phenomenon in the economic world. Indeed, it would seem that the idea is as old as Xenophon. He, it is said, conceived the plan of a bank to which all the Athenian people might subscribe capital, and in the profits of which they might all share. The object was to encourage wisely directed commercial adventure by financial support at rates of interest less oppressive than were extorted at that time; and incidentally to enrich the public treasury as well as the private citizens of Athens. "Thus, while numbers of individuals were encouraged and enabled to employ themselves for their private benefits, the whole Athenian people would become one great banking company, from whose profits every member, it was expected, would derive at least an easy livelihood."[1] But, coming down to our own times, co-operative credit has now an unbroken record of over half a century to vouch for it, and that record is one which discloses an expansion and success which are trurly marvelous.

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published a book setting forth the purpose and scope of his scheme. Three years later he organized the "Allgemeiner Verband der Deutschen Erwerbs- und Wirtschafts-Genossenschaften," of which he was director until his death in 1883.[3] He was instrumental in securing the first co-operative law in Prussia in 1867, which was made an imperial law in 1889.[4] Thus arose what has come to be known all over Europe as the town or industrial type of co-operative bank.

About the same time, another movement took its rise in Germany which has meant even more to the poorer agricultural classes than the town bank has to the larger landholders and industrial classes. The honor of first establishing rural co-operative credit associations belongs to Herr F. W. Raiffeisen, burgomaster of a group of villages around Neuwied. He was a man of great mathematical ability and of broad and varied experience. He was an ex-soldier, a wine-merchant, and had rendered valuable service in superintending the building of a railroad on the left bank of the Rhine.

Touched by the poverty of the rural classes around Neuwied, Raiffeisen established, in 1848, a co-operative distributing society for the purpose of assisting the poor to get their supplies of potatoes and bread. The next year, under the patronage of a number of wealthy philanthropists, he organized a credit and loan society at Flammersfeld, designed to provide credit on easy terms to needy farmers. The great importance of this association rests upon the fact that it indirectly determined the trend of the whole future movement of rural co-operative credit in Europe. One thing Raiffeisen learned from this experiment. He became forever convinced that the crying need of the poor was not for philanthropic aid, but for some sort of organization which would enable them to obtain credit funds for themselves. Hence, in 1862, he started another credit and loan society at Anhasen, and in this association the membership was made up of the borrowing farmers themselves.[5] Four years later Raiffeisen published his essay, "Die Darlehenskassen-

[3]Ibid., 20. [4]Ibid., 21.
[5]Ibid., 19-20.

vereine," in which he commended the Schulze-Delitzsch type of bank for towns and industrial centres, and the Anhausen model for agricultural communities. But he seems gradually to have changed his mind; and from 1873 until his death, in 1888, he devoted all his energy to the furtherance of rural associations of the Anhausen type.[6]

With the establishment of these two models of co-operative credit association, there was started a movement which has had a tremendous influence on the rapid agricultural and industrial development of Germany during the past sixty years. There is scarcely a town of any importance but has its town bank. These are often stately edifices, each with a well paid staff of clerks and officers, where the most important banking business of the city is transacted. On the other hand, the modest Raiffeisen association has spread among the agricultural towns, villages, and rural districts, carrying thrift, ambition and progress with it everywhere.

In 1905, there were in Germany 1,020 banks of the Schulze-Delitzsch model, with a total membership of 586,595. Sixty per cent. of these members availed themselves of credit; and the total loans granted in 1905 amounted to 3,000,000,000 marks, upon which was charged an average rate of 5.05 per cent. interest. Of the country banks, the number for Germany in 1905 stood at 13,181. The 10,786 of these associations belonging to the Imperial Union, for which reliable statistics were available, had a membership of 954,473, and had granted credit for that year aggregating 500,000,000 marks, at a rate of interest which probably averaged about one per cent. less than was charged by the town banks. The average credit advanced per member was 500 marks, as compared with 5000 marks per member granted by the Schulze-Delitzsch associations.[7]

But the co-operative movement has by no means been confined to the country of its origin. In 1865, Signor Luzzatti established the Popular Bank of Milan with an initial capital of 700 lire, of which the founder himself subscribed 100 lire, thus becoming the largest shareholder among the charter mem-

[6]Ibid., 20. [7]Ibid., 48.

bers of the association.[8] But this small beginning furnishes but a slight indication of the subsequent importance of the movement. In 1906 there were 829 town banks in Italy, with a capital of 133,000,000 lire, deposits of 700,000,000 lire, and credits to the amount of 453,000,000 lire. The first rural bank in Italy was established by Signor Wollemborg, a doctor of Lorregia, in 1883. By 1906 there were 1,461 agricultural associations in operation in Italy.[9] Through this system of rural co-operative credit, the entire agricultural situation has been revolutionized; and not only has great material progress resulted, but the accompanying intellectual and moral advancement has been equally great, and has been spoken of in the highest terms.[10]

In somewhat similar manner, the story might be told of the way in which country after country has been invaded by the co-operative credit movement until almost every part of Europe has felt its influence. We have France with its 18 popular banks and 1,638 rural associations in 1907;[11] Austria and Hungary, where about 4,000 agricultural credit societies were in operation in 1904;[12] and Belgium with its 431 country banks, December 1905, and a prosperous group of 17 town associations doing business in 1906.[13] The movement has become firmly rooted in Holland and Switzerland; it has taken possession of Russia, Finland, Servia, and the Grand Duchy of Luxemburg; it forms part of the general plan of co-operation by means of which Sir Horace Plunkett and the Irish Agricultural Organization Society are bringing about a much needed revolution among the poorer agricultural classes of Ireland; and it is being tried by the British Government as a means of alleviating the distress of the poverty-stricken millions of India.[14] Speaking of the Irish situation, in his book published in 1904, Mr. E. A.

[8]Ibid., 63. [9]Ibid., 67-69.

[10]E. A. Pratt, The Organization of Agriculture, 123.

[11]C. R. Fay, Co-operation at Home and Abroad, 68 and 72.

[12]E. A. Pratt, op. cit., 165 and 153.

[13]C. R. Fay, op. cit., 67-69.

[14]See below Ch. iv, page 74.

Pratt affirms that the value of the rural credit banks in Ireland, and the part which they are already playing in the general agricultural and economic development of the country, could scarcely be over-estimated.[15] Mr. Desjardins, who is undoubtedly the best authority in America on the co-operative credit movement, estimates that the number of associations in existence must now be somewhere in the neighborhood of 40,000, and the annual turnover is probably around four billions of dollars.[16]

From this imperfect sketch of the co-operative credit movement, we can readily understand that a study of the societies which are spring up among the French Canadians on the banks of the River St. Lawrence is likely to present but little that is new to the student of co-operation. The careful student, however, is well aware that the type of society developed in one European country never corresponds in all detail with that evolved when the principle is set to work under the different conditions of another country. The variations arise from two causes. Different promoters of the movement, having the experience of other leaders, and the methods of organization and operation of other associations before them, introduce changes which they think will be better adapted to their peculiar set of conditions. Then, too, the associations are so democratic that they inevitably take on differences of management, and show results that are peculiar to the genius of each nationality or class within a nation, among whom they come into operation. Hence, the differences of environment between Europe and America, and the fact that the French Canadian model is a carefully planned attempt to meet those differences by adaptations based on the combined experience of European countries, may lend to this investigation enough of interest to make it worth while.

As in the case of most of the European movements, this in French Canada owes its being to the energy and enthusiasm of

[15]E. A. Pratt, op. cit., 273.

[16]Alphonse Desjardins, The Co-operative or Peoples' Banks, Bankers' Magazine, lxxviii, 922.

a single individual. Mr. Alphonse Desjardins was born at Levis, Quebec, in 1854. He graduated from the college of his native town in 1870, and shortly afterward went into journalism. He early became engrossed in the study of economic and social science, and epsecially was his attention attracted by the co-operative movement which was spreading over Europe. He had studied with the keenest interest the rapid development of co-operation in Germany, France, Belgium, Holland and Denmark. This latter country he had seen pick herself up from the very depths of despair after the unfortunate German war of 1864, in which she lost the richest of her territory, and through the adoption of the principles of co-operation and universal education, start on a career of rejuvenated prosperity such as she had never known before her mutilation. He saw clearly the important part which the Schulze-Delitzsch and Raiffeisen banks had played in the industrial advancement of united Germany; and he also knew what a similar system of co-operative credit had accomplished for Italy. Moreover, for the past thirteen years, he has had the advantage of being in communication with most of the European leaders. This personal correspondence with the moving spirits of co-operation in the old world has placed him in possession of a great deal of information on the subject which has up to the present time never been published.

Out of this mass of heterogeneous material Mr. Desjardins arrived at a conviction of the supreme importance of the principle of adaptation. First of all, an association must grow out of local needs. Denmark, for example, the country which has surpassed all others in co-operative organization, has never adopted the credit form of society. Any attempt to engraft on society an institution whose function is already adequately and economically performed by others, would only be a useless expenditure of energy and multiplication of machinery. Mr. Desjardins has perceived that the success of co-operative associations in infusing new hope and energy into the masses who are struggling on the very margin of subsistence, lay largely in their wide range of adaptability. Being himself a reformer and

an enthusiast, as leaders of all sorts of schemes for the uplifting of men must necessarily be, he at once began to look about for some way in which his native land might reap some benefit from the practical application of those principles which had helped so much in improving conditions among the poorer and middle classes of Europe.

His opportunity presented itself in the unsolved credit and banking problem of his native province. The frequent references, in the press and on the floor of the Canadian Parliament, to the evil and extent of the practice of usury convinced Mr. Desjardins that the solution of this problem would mean inestimable benefit to his country, and more especially to his fellow-citizens throughout Eastern Canada, where the money-lender is practically the only resource of the poorer classes who may find themselves obliged to borrow. He had the precedent of Hungary, where the rural districts had been ground down for generations under one of the most oppressive systems of usury which the student of practical economics has ever encountered. In the face of the most determined opposition, an effective system of co-operative credit was established, which drove the entire tribe of innkeepers and small merchants, whose real business was the practice of usury, out of the country.[17]

But here in French Canada, where Mr. Desjardins was born and bred, the situation had some peculiar difficulties of its own. The population of the province of Quebec are for the most part descendants of a hardy, thrifty stock of Northern France, who seem to have brought with them from the motherland the habit of storing their earnings in hoards of coin. Speaking of Canada under the French régime, Professor Adam Shortt says: "The tendency to private hoarding, which at that time was quite common and natural in all countries, was especially characteristic of the French peasantry, and has remained so to this day in both France and Canada."[18] After the conquest, "a large and important section of the French Canadians possessed small in-

[17]E. A. Pratt, op. cit., 141-153.

[18]Adam Shortt, The History of Canadian Banking, Currency and Exchange, Journal of the Canadian Bankers' Association, vi, 152.

dividual hoards of specie, composed almost entirely of old French coins, much worn and considerably over-rated; they were distrustful of paper money and exchanged it as speedily as possible for coins. In this exchange, local prejudice and the interests of the banks favored French silver."[19] The banking institutions of French Canada were but little patronized, either in the use of their notes, or as repositories for savings. But they found a field for profit-making in the collection of "all the maimed and wayworn French coins on the continent," and passing them out to the habitants at their much over-rated valuation.[20]

This custom of returning bank notes for redemption in coin had a steadying effect upon the French Canadian banks which placed them at an advantage as compared with the banks of Upper Canada and the United States in time of crisis. They were forced to exercise caution and moderation in their issue of notes by the fact that the notes were usually soon returned for redemption in coin. The amount of coin thus kept in circulation made it easier for the Lower Canadian banks to replenish their vaults with specie. Thus, for example, the three French Canadian banks experienced much less difficulty in weathering the crisis of the early twenties than did the banks of the United States and Upper Canada. In fact, the Quebec bank, with a patronage mostly confined to a select circle of merchants within and about the city, experienced no great loss; while the two Montreal banks, though they suffered severely, were able to pull through in solvent condition.[21]

Another episode which had tended to shake the faith of the French Canadians in banking institutions was the formation of wild-cat banking schemes under the lax laws existing prior to the confederation of the provinces. These spurious banks found their opportuinty in two circumstances. There was, in the first place, a deep-rooted race prejudice against the existing institutions, which were almost entirely in the hands of the

[19]Ibid., vii, 319.
[20]Ibid., vii, 319; viii, 152-154.
[21]Ibid., viii, 2.

English element; in the second place, the suspension of specie payments by the regular banks of Lower Canada, in common with those of the United States, during the crisis of 1837, gave the best possible excuse for the refusal to redeem their notes on the part of those institutions whose sole purpose of existence was to get their notes into circulation.

Among other favoring circumstances was the fact that the first bank to take advantage of the political and racial situation was a perfectly honest and patriotic institution, the Banque du Peuple of Montreal. This was a form of joint stock company whose directors pledged themselves to unlimited liability, while ordinary shareholders were liable only to the extent of their subscribed stock. The notes of this bank were soon in circulation, and, on political grounds, found a more cordial reception than those of the regular chartered banks. However, the purpose of this organization was legitimate business; and during the crisis the Banque du Peuple entered into hearty co-operation with the regular banks in weathering the storm of financial stringency.[22]

The real evil arising out of the establishment of this institution consisted in the swarm of imitators which sprang up. The promoters of these bogus banks were, for the most part, sharpers from the neighboring states, who, if they even took the trouble to establish headquarters, hired someone to look after the obscure office in Lower Canada, while they attended to the more important business of floating the spurious paper elsewhere. They took care not to arouse suspicion by trying to push their trade in the neighborhood of their nominal headquarters; but throughout Western Upper Canada and the adjoining states they managed to get considerable quantities of their notes into circulation. In this they were favored by the scarcity of a medium of exchange consequent upon the crisis. Many a suspicion was aroused, to be sure, but so long as all the banks in Lower Canada were refusing to redeem their notes, there was no way of testing the solvency of these concerns. In the meantime the notes were finding their way back to Lower

[22]Ibid., ix., 1-5.

Canada, public indignation was aroused resulting in investigations in both Buffalo and Montreal, and a long list of the issuers of spurious bank notes was published.[23]

Now it cannot be said that the French Canadians themselves suffered any serious loss as a result of these banking swindles; and yet the publishing of the results of the investigations did add considerably to the long-standing hereditary prejudice of the average habitant against banking institutions in general.

As a result, the old tendency to hoard still persists in French Canada. Thus, one side of the problem which Mr. Desjardins had to solve was whether or not this inherent distrust of credit and banking institutions would make the establishment of co-operative credit associations among his countrymen an impossibility. Would they entrust their representatives with the care of their funds, and thus bring the combined savings of the parish into a common fund from which the general demand for credit could be met? Or would the tendency to hoard their small surplus prove too strong for the new movement and leave the usurer still in control of the credit business? Such a problem could only be solved by practical experiment.

He did not expect to have his plans meet everywhere with an enthusiastic reception. But seldom have the ideas of any reformer found an eager multitude waiting to receive them. Even those principles whose subsequent development has shown the most wonderful vitality have generally been forced to begin their career by fighting for bare standing ground. This has been to some extent true of the whole movement toward economic co-operation; and almost without exception has it been true of the credit and banking associations. In summing up his conclusions, based upon a thorough acquaintance with the subject, Mr. Henry W. Wolff finds that the movement has everywhere met with the same fate. At the outset no country has wanted it. No people has anticipated that co-operative credit was adapted to its peculiar conditions. Almost invariably has the founder met with the same cold indifference.[24] Schulze

[23]Ibid., ix, 190 et seq.

[24]Henry W. Wolff, Co-operative Banking, 137.

and Raiffeisen in Germany, Luzzatti in Italy, Ziller in Austria, and other leaders almost as illustrious, have begun by bearing almost the whole burden of the work which has since reached such proportions in their respective countries. But in every case, when the energy and enthusiasm of the reformer had prevailed, and co-operative banking taken its place among the economic and social forces of the country, there has been no lack of praise and approval; and people have wondered how they ever managed without the credit associations. Everywhere the experience with usury has been the same. Co-operative credit has done for Europe, within the short period of six decades, what century after century of religious condemnation and repressive legislation had utterly failed to accomplish. These societies are meeting in a legitimate and most satisfactory way that fundamental need of credit which constituted the raison d'être for the usurer's practice. Hence, where co-operative credit found its place in the social organism, the usurer was sloughed of as a superfluous economic appendage. Upwards of forty thousand peoples' banks are cleaning out the plague of usury which had infested the old world from its earliest history, with the same unobtrusive certainty which has marked the disappearance of other pests before the advance of modern medicine and sanitary scicnee.

With the history of this whole movement Mr. Desjardins was perfectly familiar. He had every confidence in co-operative credit as a ninstrument in furthering social and economic progress; and saw no reason why its introduction should not be a success among his fellow-countrymen in Quebec. So, following the example of many a worthy predecessor in the different countries of Europe, he began his propaganda in his own town.

Levis, the birthplace and presen thome of Mr. Desjardins, is a city of some seven thousand inhabitants, situated on the right bank of the Saint Lawrence, directly opposite the old historic citadel of Quebec. The population is chiefly industrial. A large number are railway employees; others are engaged in the Atlantic and inland shipping trade which is centred during the

summer months in the cities of Montreal and Quebec; while two or three foundries, two machine shops, and a shoe factory give employment to an industrious, wage-earning citizenship. Back of the town to the south and east is a well-to-do agricultural population from which the business section of the city draws its chief support. This surrounding rural district accounts for the numerous homes of retired farmers, who form a stable, conservative yet thrifty element in all such agricultural market towns.

In this limited population, composed of those having such varied interests, Mr. Desjardins found just what he wanted. His purpose was to put co-operative credit to the test upon American soil. If it should succeed at Levis, there would be a practical demonstration of its adaptability to almost any conditions to be met with anywhere in French Canada.

Among the diverse elements which make up the population of Levis, Mr. Desjardins was a well-known personality. He had grown up in the place. From childhood he had been known and respected for his integrity. His training in the college of the town had brought him into sympathy with the cultural and religious life of his people. His career as a journalist had increased his familiarity with all the different problems and needs of his native province. His contagious enthusiasm and firm perseverance eminently fitted him for leadership. Surely it would have been hard to find one better fitted to undertake the establishment of co-operative credit associations.

On the public platform and through the medium of the press, and in private intercourse among his large circle of acquaintances, he lost no opportunity of arousing interest in the movement. He explained the advantages it had already brought to different countries of Europe, and showed the benefits which there was every reason to expect from its establishment among his fellow-countrymen.

At length the time seemed ripe for action. In September, 1900, he brought a dozen friends together at his home, and carefully unfolded to them his plan. During the three months following they drafted a constitution, and began taking pledges

for the first shares of stock, which were to be paid for subsequently in instalments. Then, on the sixth of December a meeting was held at which about fifty of the more spirited citizens of Levis formally adopted the constitution and by-laws, and began business as "La Caisse Populaire de Levis." The following twenty-fifth of January there appeared the first semi-monthly statement, showing assets on hand to the amount of $242. This must surely be considered a fair start, when we take into consideration the small beginnings and early struggles of most of the great European movements.

As to the subsequent growth and prosperity of the People's Bank of Levis, we will permit a few statistics to tell their own story. By the end of the fourth year of its existence the assets amounted to $32,567.55, and since that time they have shown a steady and rapid increase, as is shown by the following table:

Yearly Increase in Assets for the People's Bank of Levis.

Nov. 30, 1904	$ 32,567 55
Nov. 30, 1905	36,028 31
Nov. 30, 1906	43,529 80
Nov. 30, 1907	66,352 24
Nov. 30, 1908	83,891 35
Nov. 30, 1909	102,870 35

Then again, no better indication of the prosperity and usefulness of an institution of this kind could be asked for than is furnished by the increase and volume of its loans. The following table from the "Ninth Annual Report of the People's Bank of Levis" speaks eloquently of the service being rendered to the community by this association:

The Loan Movement of the People's Bank of Levis.

First year	50	loans, amounting to	$ 3,667 21
Second year	161	" "	19,800 26
Third year	275	" "	27,036 34
Fourth year	268	" "	34,272 68
Fifth year	298	" "	40,586 80
Sixth year	368	" "	64,766 72
Seventh year	461	" "	86,963 15

Eighth year	518	"	75,572 97
Ninth year	638	"	110,404 47
Totals.....	3037		$463,070 60

The present condition of the People's Bank of Levis would seem to indicate that its future progress is assured. But we must not imagine that this success has been won without sacrifice. The founder was enthusiastic in his determination to give the experiment every possible chance of success. In the home of Mr. Desjardins the society was organized, and for the first six years of its existence it found free headquarters in his private office. Hither came all the members to pay the instalments on their shares. Here, they negotiated loans and transacted any other business they might have with the association. Furthermore, Mr. Desjardins, as manager and president of the society, undertook to do the whole work of keeping the accounts, etc., without a cent of remuneration. While he was away on official duties during the sessions of the Dominion Parliament other members of his family kept the books and assisted the council and committees in transacting the business of the association. During his visit at Levis, the writer had access to the books of the association dating from its organization. In explanation of a great section of one of the books which was written in a dainty feminine hand, the president remarked with some degree of justifiable pride: "That was the first time that I had been compelled to be so long absent since La Caisse was organized. I was worried about the management of the bank, and especially over the keeping of the books. One evening, to my surprise, my wife volunteered to look after the bookkeeping. It would mean some hard work on her part; but just then it looked as if the only alternative would be to hire a bookkeeper. We were putting forth every effort to accumulate a reserve fund, and I feared that we could not very well bear such expense at that time. I brought the matter of my wife's offer of her services before the council of administration, and they were willing that she should try the work with the assistance of the council and committees. The result was that Mrs.

Desjardins did the bookkeeping for the whole winter. Thousands of dollars of business was transacted, as you can see, and the books were found correct to a fraction of a cent."

And so it came about that during the first six years of the existence of the Levis association the total expense of operation, including printing, was but $543.57. But in the same period a reserve fund of $3,341 was accumulated; and the sense of security against any possible mischance which this reserve warranted more than compensated President Desjardins and his family for all the sacrifice which they had made. At the end of the sixth year the prosperity and growth of the bank justified an increase in expenditure. Offices were secured in the business section of the town, and a manager was regularly paid to keep the books and attend to the office work, while Mr. Desjardins still retained his position as president. With such a record of devotion as this we can readily understand the prosperity which has attended the Levis association. Moreover, the example of self-sacrifice set by the management of this pioneer society has not been without its influence upon the new associations which are now springing up all over the province.

But since Mr. Desjardins looked upon the Levis society in the light of an experiment, he was not particularly anxious for the establishment of other associations until this one should have been given a fair trial. There was as yet no law providing for the establishment of such institutions; so that La Caisse remained a purely voluntary organization for the first six years of its existence. Nevertheless, the year after the formation of the Levis People's Bank another association on identical lines was organized in the neighboring rural parish of St. Joseph de Levis. Here, although the nature of the community made impossible such rapid expansion as in the case of the Levis society, the progress has been steady and the business consistent with the needs of the membership.

Then in January, 1905, another association on the Levis model was started at St. Malo, in the eastern outskirts of Quebec city. The expansion of this society seems to have been rapid from the beginning. An article in the "Labour Gazette"

for March of that year reports that two hundred members had already been enrolled, and the record shows a steady growth since.

But the time seemed to have arrived when a wider expansion of co-operative credit was justifiable and highly desirable. The experience with these three associations had furnished sufficient evidence of the fact that such societies could be made potent factors in promoting the social and economic well-being of French Canadian communities. All the expectations of the ardent promoter had been fulfilled; and he was now anxious for provincial recognition. He wanted a law which would make regular and legal what had up to this time been a purely voluntary and extra-legal association.

We have already noticed that it took Schulze seventeen years to secure legal recognition from the Prussian Assembly, and that it was not until twenty-two years later that the law was adopted for the empire. Mr. Desjardins found it much easier to obtain recognition through a provincial law. Indeed, it could scarcely be otherwise, as we see from a glance at the political and industrial situation in French Canada.

Patriotic and enlightened French Canadians were painfully conscious of the fact that their race was far from taking, in the industrial, political, and cultural life of America, the place which their great national traditions would lead us to expect that they should occupy. The manifestation of this consciousness was to be seen in the fervent efforts which a few of the more progressive spirits were making towards the promotion of educational and industrial reform. To be sure, they were forced to march at a slow and cautious pace; for they found themselves opposed by a powerful element in both church and state which prefers to burn life's taper in adoration of the dry bones of a dead past. These widely sundered points of view have been the cause of a considerable expenditure of energy in speech and writing, which on the whole seems to be resulting in at least a partial victory for the progressive element. A system of technical schools is in process of establishment, which, if carried through, would be a credit to any people.

From this opposition of conservatives and radicals, Mr. Desjardins stood entirely aloof. He worked away quietly, and incidentally secured the hearty support of both factions. The church, with which every French Canadian movement has to reckon, had the precedents of Italy, Austria, Hungary, Belgium and other European coutnries where the Catholic clergy were the foremost promoters of co-operative banking. The progressive element, on the other hand, hoped that the movement might result in benefits similar to those which had been realized from its establishment in Europe. Besides, if an object lesson nearer home were required, here were three prosperous crdit associations flourishing right beneath the shadow of the provincial legislative halls. Mr. Desjardins had many warm supporters in the legislature who were in sympathy with his aims, and saw the value of the associations; and so it came to pass that when the Quebec Syndicates Act of 1906 came before the legislature, it was passed without a single dissenting vote.

This act is described in the "Labour Gazette" of April, 1906, as "an act to regularize the formation and organization of co-operative societies among the laboring classes of the province, . . . going into force on the day of its sanction. It provided for the formation of production, consumption and credit associations of a co-operative character at any place in the province, the territory within which an association is empowered to operate being confined to the limits of a provincial electoral district. The responsibility of members of co-operative associations is to be limited to the amount of their respective shares, and only persons domiciled within the limits of the association being permitted to become members."

In the matter of liability, limits of territory for each association, and, in fact, throughout the general provisions of the act, we see everywhere the influence of the constitution and by-laws of La Caisse Populaire de Levis and its two sister institutions. As these will be somewhat fully analyzed in the next chapter, we need not tarry now over the provisions of the act.

The immediate result of the passing of the act was an awakening of interest in co-operative credit over the entire province.

Letters of enquiry and requests for copies of the constitution and by-laws of the Levis society began to arrive from all directions. Scarcely a week passed but some parish sent in a petition that Mr. Desjardins come in person and explain the organization and advantages of his associations. These invitations are gladly accepted whenever it is possible for him to get away from other duties; and each such meeting usually results in the formation of a new society. The following list of associations, indicating the location of each, will give an idea of the spread of the movement up to the close of the last fiscal year. Several societies have been organized since, and in a recent communication Mr. Desjardins states that he has about sixty applications for assistance in establishing new banks during the coming spring and summer. As the geographical distribution of the following societies indicates, the province has been invaded from one extremity to the other. According to all the reports available the associations are, without exception, doing well; so that there would seem to be no reason in the world why the movement should not continue until the province of Quebec is as well equipped with co-operative credit facilities as many European countries already are.[25]

Name and Locality.	Date of Formation.	President.	Secretary or Manager
La Caisse			
Populaire de Levis,	Dec. 6, 1900	Mr. A. Desjardins.	Mr. Desjardins.
" St. Joseph de Levis,	July, 1901	Col. G. Vien.	H. Bourassa, Sec.Mgr.
" St. Malo	Jan., 1905	M. Marquis.	Jos. Delisle, Mgr.
" Paquetteville	Sept., 1907	M. Lazure,	M. Lapalme, Sec. Mgr.
" St. Bonaventure ...	Nov., 1907	Rev. M. Gravel.	Geo. Forest, Sec.Mgr.
" St. Isidore	Dec., 1907	Rev. M. Roy.	
" Contrecoeur	Feb., 1908	Rev. M. Ducharme.	
" Quebec	Apr. 27, 1908	Dr. J. H. Bedard.	H. Lamontagne, Sec. Mgr.
" Nominingue	Mar. 22, 1908		
" Beauport	May 3, 1908		

[25]Note: In a letter of July 5, 1910, Mr. Desjardins gives the number of banks established up to date as 44; and informs us that the interest in the movement is increasing in all sections of the province.

Name and Locality.	Date of Formation.	President.	Secretary or Manager
La Caisse St. Grégoire du Sault Montmorency	May, 1908	Rev. M. Ruel.	
" Montreal	June, 1908	L. Lefevre.	
" Maria	Sep. 13, 1908	Rev. M. Smith.	
" Rimouski	Sep. 17, 1908	L. G. Belzil.	L. G. Belzil, Mgr.
" Cabana	Sep. 20, 1908	Rev. E. Gagnon.	Dr. Cote, Mgr.
" l'Ancienne Lorette,	Dec.16,1908	Rev. M. Faucher.	M. Drolet, Mgr.
" St. Sauveur	Dec., 1908	Dr. Jos. Gosselin.	
" St. Charles de Bellechasse,	Jan., 1909	Rev. M. Page.	M. Paquet, Mgr.
" l'Immaculée Conception de Montreal	Jan. 1, 1909	Rev. Recteur Daignault, S.J.	
" St. Victor de Tring, Beauce	June 27, 1909	Rev. A. Morissette.	Jean Rancourt, Mgr.
" St. Narcisse de Champlain	July 4, 1909	Rev. Prosper Cloutier.	J. A. Gravel, M.P., Mgr.
" Danville	July 11, 1909	Rev. J. E. Hebert.	Felix Laclare, Sec.
" Black Lake	July 18, 1909	Rev. Jos. Gagnon.	J. A. Pinchaud, Sec. Rev. J. U. Croteau, Mgr.
" St. Maurice de Champlain	Aug. 1, 1909	Rev. M. T. Caron.	Z. Forest, Sec.Mgr.
" Sayabec-Rimouski,	Aug. 8,1909	Rev. J. C. Saidon.	Geo. Tremblay, Sec. Mgr.
" Thetford Mines,	Aug. 22, 1909	Rev. J. G. Goudreau.	Emile Vaillancourt, Sec. Mgr.
" St.Theophile du Lac, comte de Champlain	Sep. 6, 1909	Rev. J. P. Boulay.	S. Lucien, Sec. Mgr.
" de l'Enfant Jesus, comte de Beauce	Sep. 19, 1909	C. A. Bilodeau.	Jos. Nadeau, Sec. Rev. Jos. Jobin, Mgr.
" de St. Ulric de Matane, comte de Rimouski	Sep. 26, 1909	Rev. P. C. Saidon.	David Oullet, Sec. Mgr.
" de St. Ephriam, comte de Beauce	Oct. 3, 1909	Rev. L. M. Morrissette.	U. E. Page, M.P., Sec. Mgr.
" de St. Paul de la Grand-Mère, comte de Rimouski,	Sep. 26, 1909	Rev. L. R. Lafleche.	J. H. Desroches, Sec. Mgr.
" de Trois Riviers,	Oct. 17, 1909	Rev. Jules Massicotte.	A. Lebrun, M.P., Sec.Mgr.

Having got the movement in Quebec so well under way, the next concern of Mr. Desjardins was to secure an act from the

Dominion Parliament which would place similar associations on a basis of legality and uniformity for all the different provinces. A bill was framed after the model of the Quebec Syndicates Act of 1906, and introduced before the House of Commons in 1907. The bill was referred to a committee of enquiry, and strongly recommended. But, as it was then late in the session no action was taken that year.

Perhaps one influence in holding the bill over was the strenuous opposition of the Retail Merchants' Association of Canada to the distributive part of the act. The delay enabled them to thoroughly muster their forces for the next attack; so that when the bill came up again, in the session of 1908, they were prepared to fight it to a finish. Yet in spite of all opposition the act passed the Commons unanimously. In the Senate, however, the opposition faction had more supporters, and the bill was thrown out by a majority of one.

At the time of writing, the bill, in a somewhat modified form, is before parliament again; and it has been referred to Banking and Commerce Committee for detailed consideration. The same opposing forces are arrayed against it with more determination than ever. Though somewhat discouraged, Mr. Desjardins is still fighting the battle of co-operation. He has divided the act into two bills, one dealing with co-operative credit, and the other providing for the productive and distributive forms of co-operative activity. Should the opposition to distributive societies prove too strong, he hopes still to be able to save the part of the act providing for credit associations.*

But, in the meantime, the work of Mr. Desjardins has attracted attention and is receiving recognition farther away from home. As an expert in his field, he was called to deliver an address before the Twentieth Century Club of Boston.[26] Later

**Note*: The bill providing for co-operative production and distribution was defeated in the Commons by a small majority. The one dealing with credit societies never came up for the final reading, and so died a natural death. The friends of the bill, however, are confident that next year there will be a different story to tell.

[26]See the "Bankers' Magazine," lxxviii, 922; or the Labour Gazette, x, 103.

he was asked to confer with the Banking committee of the State Legislature of Massachusetts, on the subject of legislation to establish and control co-operative credit associations. On the basis of the report of this committee, the legislature passed an act providing for the organization of societies throughout the Commonwealth of Massachusetts, similar to those operating in Quebec. This act became law in the spring of 1909, and shortly afterward the pioneer society made its appearance in Springfield. Since then a committee of the legislature has been commissioned with the task of drafting a model constitution and by-laws. These have been prepared, and, together with literature setting forth the advantages of co-operative credit, were sent to Mr. Desjardins for revision. He writes stating that these are now about ready for publication, and that he expects the movement in Massachusetts will soon be started in earnest.

CHAPTER II.

THE ORGANIZATION AND OPERATION OF A TYPICAL FRENCH CANADIAN CO-OPERATIVE CREDIT ASSOCIATION.

To the reader who is unfamiliar with the co-operative credit associations of Europe, the name "La Caisse Populaire de Levis', would convey but a very imperfect conception of the purpose and scope of the modest institution at Levis. But the person who had come in contact with the broad humanitarian spirit animating the whole organization and activity of the town and country banks of Europe would expect to find the French Canadian societies dominated by something more than the purely economic motive. The men who had breathed their spirit into that system of associations which has spread over Europe and India were more than financiers, and much more than political economists in the narrow, classical sense. Schulze and Raiffeisen, Luzzatti and Wollemborg were all of them men to whom human welfare was the all-important consideration. They valued institutions in proportion to their efficiency in serving men, and never looked upon human beings merely as one of the factors in production. They were separated by a whole world-view from that class of antiquated thinkers who prize "cheap labor" and a stupid, plodding peasantry as the only foundation upon which the economic, political and religious institutions of a country can stand secure. They ewre men to whom "cheapness," poverty and ignorance were always distressing. In a sense they were philanthropists; and yet they were far from practising that type of short-sighted philanthropy which, by giving without requiring effort in return, deprives human beings of that independence and self-reliance which is the fundamental quality of manhood. Raiffeisen, as we have seen, did start out on the charity plan of relieving distress, but soon came to the conclusion that education and a proper organization of their own latent forces was all that was

necessary to uplift the poor. And so it came about that self-help was made the basis of the co-operative credit movement. It was a plan to enable the poorer class to lay for themselves the economic basis which must necessarily underlie all other progress.

Where Raiffeisen had arrived after years of experience, Mr. Desjardins took his point of departure. He stood steadfastly for self-help, a consciousness of social solidarity, and a free field to work in, as the fundamental conditions of human welfare. The breadth of his view, and the general spirit of the man are so well embodied in the second article of the constitution of the People's Bank of Levis, which sets forth the objects of the association, that we here reprint the article in full:

> Article 2.—The objects of the association are:
>
> 1. To protect its members against reverses of fortune, the results of enforced idleness, sickness and want, by teaching them the inappreciable benefits of wise providential measures based on mutual assistance and co-operation, and, in particular, by instilling and developing in them the taste for, and the constant and energetic practice of, economy on the most modest scale;
>
> 2. To aid them by a wise and prudent system of credit in the shape of loans and advances, the proposed employment whereof must be communicated to the association, be approved by it, and be in accordance with the spirit in which it is founded;
>
> 3. To enable persons devoid of fortune, but who are honest and laborious, to form part of the association by granting them facilities for paying up their shares in the capital stock by means of very small weekly instalments;
>
> 4. To secure the practice of the Christian and social virtues that mark the good citizen, the honest, laborious and honorable worker, by exacting above all moral warranties of the highest order from the shareholders who borrow from the association;
>
> 5. To combat usury by means of co-operation, by providing all who are deserving of the same, through their fondness for work, their skill and the integrity of their conduct, with the moneys they require for carrying on their business or occupation, thereby making them independent of lenders who levy

exorbitant commission or interest, or of those who impose too onerous conditions in connection with credit;

6. To foster the spirit of enterprise and promote local works, whether of an industrial or agricultural character, by the prudent use of the savings effected within the district covered by the association's operations;

7. To spread amongst its members a practical knowledge of the elementary principles of economic science.

8. To teach them respect for their engagements, and also the advantages inevitably derived by those who faithfully fulfil the obligations they have undertaken;

9. To create and foster mutual confidence between shareholders by means of economic relations based on the security of warranties of a high character, inasmuch as they are founded, in a very great measure, on morality, honesty, order, love of work and prudence;

10. To gradually procure them—by persevering efforts towards secring economy and consequently a just measure of credit—that economic independence which inspires and fosters the feeling of personal dignity and convinces one of the need of relying above all upon oneself to improve one's position and raise oneself in the social scale.

The language may be a little stilted, and the sentiment savor of being somewhat overdone; but one has only to come into actual contact with the enthusiastic founder and president of the People's Bank of Levis to feel that the language accurately embodies the man, not only in his sentiment, but also in his endeavors to bring his ideals to a practical realization.

In the matter of saving, Mr. Desjardins is a firm believer in the old adage, "if you only look after the pennies the pounds will take care of themselves." So, in the Levis society he makes a bid for the pennies by offering a capital of shares, each of which is small in amount, and may be paid for in small weekly or monthly instalments. On the basis of these shares, the annual profits are distributed. Then, too, the bank is open for the savings of its members in amounts of not less than five cents; and on all deposits current savings-bank rates of interest are allowed. A school-children's savings department is also opened in connection with the bank, which aims to encourage the children in habits of thrift. In these various ways the co-

operative credit associations contrive to build up a substantial reservoir of capital from the multitude of tiny dribblings of loose change which would otherwise, in all probability, be lost in wasteful consumption.

But a reservoir of capital is a barren ideal to work toward unless it can be made to serve some purpose in furthering social welfare. The aim is to place this accumulation of capital at the disposal of all members who, in the opinion of the society, can use it honorably in productive enterprise. This supervision of the application of the funds of the association is always insisted upon; and every member who applies for a loan must state clearly the use to which he intends to put it. Any breach of confidence in this regard is considered sufficient grounds for the expulsion of a member. This rule of the association may, at first sight, appear very arbitrary; but in practice it has proven one of the strongest educational stimuli in connection with the institution. Public opinion is at all times a powerful incentive to excellence; and it is especially so where the public is so much interested in each of its members as is the case in co-operative credit societies. Feeling himself to be under the critical eyes of his fellows, each associate is spurred to a discrimination between the sound and the shaky business enterprise; so that a refusal to grant a loan on this ground is comparatively rare.

Nor does the educational value of the society end here. There is, first of all, the aim to inculcate a true self-reliance in business, such as can only be attained on the basis of economic independence. But it must be economic independence of such a type as goes hand in hand with the sense of social solidarity which makes each member firm in upholding fairness and honor in the management and use of the common funds. In this way, the associations take their place as builders of character, and of just the sort of character which is coming more and more to be needed in modern industrial society. The idealism of the article quoted above may possibly take us into an atmosphere which feels too rare for ordinary economic activity to thrive in. But a gentle dash of such idealism thrown into the management

of that conscienceless immortal created under corporation law would certainly be a boon to the rest of society. The capacity to mulct the public, to evade, twist or mold legislation, regardless of the general social weal, places a man's services at a premium as a member of the average board of directors. And so it is refreshing to find a business organization of the importance of the Levis People's Bank trying to achieve success under the guidance of such principles.

One thing that brings success within the range of possibility, under such conditions, is the care exercised in the selection of the membership. It is not an organization of capitalists in the ordinary sense of the term. In fact, the amount of capital a prospective member is likely to be able to invest in the stock of the association is about the last thing to be considered in an application for membership. Each application must come before the Council of Administration for approval, and the chief assets which are passed in review are those which are woven into the warp and woof of the character and reputation of the prospective member. As article nine puts it, "he must be honest, punctual in his payments, sober and of good habits, industrious and laborious."

In order that these character assets may be justly estimated, it is necessary that the applicant be known to the council of administration, or to some other shareholders who may vouch for his integrity. This intimate knowledge of each other by the members of the society is secured by the Quebec Syndicates Act through the limitation of the field from which members may be received to one electrol district; although shareholders who change their place of residence are not required to resign their membership. Thus, following the precedent of European country banks, mutual acquaintance and unquestioned integrity form the sine qua non of admission to the association. To be eligible for membership comes to be a badge of honorable citizenship, a distinction to be prized as a sort of semi-public recognition of personal worth.

Moreover, there is a continuous incentive to maintain the reputation which secured admission to membership. Any

breach of faith, or the subsequent manifestation of any of the qualities or actions which would have debarred an applicant in the first instance, furnish sufficient grounds for expulsion from the association. A member may also be expelled if he becomes bankrupt or insolvent, or should he in any way abuse the privileges of the society through any violation of the constitution or by-laws.

Having thus fulfilled the requirements of the association as a man and as a citizen, the applicant for membership will have comparatively little difficulty in satisfying the financial requirements for admission. He must purchase one share of stock, the value of which in most of the Quebec associations in five dollars. He must pay the entrance tax on his share of stock, which in the case of the Levis association is ten cents for each share. Then he may pay for his share in such weekly or monthly instalments as will suit his convenience. The members of the Levis bank are permitted to pay for their shares at the rate of ten cents a week, thus allowing almost a year for the payment of one share. Each shareholder becomes liable for the debts of the society only to the extent of the amount of stock which he holds.

Any person may withdraw from membership and receive back all the instalments which he has paid on his shares, by giving thirty days' written notice to the council of administration. In the practice of the Levis association, even this thirty days' notice has been waived, and a shareholder may at any time receive cash for his stock. In the opinion of the members of the council this policy has more than offset any possible inconvenience which might arise by the absolute confidence in the association which it has inspired. The entrance fees on all shares are put into the reserve fund, and are not refunded when members withdraw from the society.

In an analysis of the operations of the association, one of the first things to be noticed is the fact that the co-operative banks of Quebec confine their business almost entirely to their own membership. Loans and discounts are granted only to members; and, stranger still, as it must seem to the student of co-

operative banking in Europe, it is from members alone that savings and other deposits are received. Three general exceptions to the rule confining the business of the association to the membership may be noted. In case more funds are required in the regular business of the society than it receives from its members, it may contract for loans from outsiders. Again, the resources of the reserve and provident funds may be invested at the discretion of the council of administration in such sound business enterprises as seem likely to secure the greatest advantage to the association. All speculation in stocks or other doubtful investments are forbidden by special constitutional provision. In addition to the two cases mentioned, we may notice that a good part of the working surplus of the society is usually kept on deposit in one of the regular chartered banks.

But, apart from these three classes of transactions, the business of the association is confined strictly to the membership. This policy stands in sharp contrast to that of many of the town banks of Europe, where, as in Italy and Germany, the co-operative institutions often enter into active competition with the regular banks in doing the ordinary banking business of the city. But with a strictly limited liability, such as the members of the Quebec associations enjoy, and with a share capital subject to withdrawal at any time, resulting in a variable capital and a variable membership, we can readily see that it was necessary to confine the regular business strictly to the members of the society. Nevertheless, with shares withdrawable almost at pleasure, and the membership available to every honest individual on such easy terms, and since the capital invested in shares is practically certain of earning a somewhat higher rate than is paid on deposits, we can scarcely see why the limitation of business to shareholders need be any handicap to the prosperity and usefulness of the association.

The great authority on co-operative banking, Henry W. Wolff, claims that, although the dealings of societies should be with members only, the counters of co-operative banks should be open to deposits from all the world.[1] Still, he insists that

[1]Henry W. Wolff, Co-operative Banking, 64.

these banks should remain the humble servants of the poorer classes; and regrets the capitalistic tendencies of many of the European associations, where, as in Lombardy, they are doing three-fourths of all the banking business.[2] Now, if democracy of membership combined with the greatest possible range of service is the ideal, we can hardly conceive of a more effective method of attaining that end than the policy pursued by the Desjardins type of co-operative bank.

The first concern of the association is to raise capital in order to be able to assist its members with loans and advances. The Raiffeisen societies, as we have seen, relied chiefly upon pledging the unlimited liability of every member as security for the funds which it secured from outside sources. In this way it could obtain funds which it could re-loan to its members at reasonable rates of interest. But in a thrifty French Canadian community Mr. Desjardins felt that a proper encouragement of saving would result in almost all the working capital required. So he adopted two methods of promoting thrift, the selling of shares, and the receiving of deposits. The share capital was designed to furnish the more stable portion of the association's funds. This method appeals to those seeking a more or less permanent investment for their savings. It is encouraged by a somewhat higher rate of interest than can be had in the ordinary savings bank. But, besides this demand for a permanent investment, there is always a considerable amount of money afloat in a community which cannot be tied up for any great length of time. Such funds are kept for the running expenses of households, for the payment of rents, insurance premiums, lodge dues, etc., as they mature. By offering a low rate of interest, the association can have the use of considerable amounts of this floating capital as deposits, payable on demand or at the end of a period agreed upon. Greater care must be exercised in the use of these funds by the society; but, nevertheless, they can be used in making all sorts of short time loans, and a little experience enables the management to handle them without danger and with great advantage to the society. Each

[2]Ibid., 285.

member making a deposit is given a pass book in which each withdrawal or new deposit is entered, just as in ordinary banking.

Thus far in their experience the funds derived from these two sources have been sufficient to meet all the demands of the members for loans.

A restriction has been placed upon the amount of funds available from share capital by limiting the amount of stock which a member may hold. This restriction is a sort of safeguard in the interest of equality and democracy within the association. Each member, it is true, has only one vote, no matter what his holdings of stock may be. But still it is thought that if it were possible for one man to hold an unlimited amount of stock, he might, by his prestige, or by the threat of the withdrawal of his capital, be able to exercise an influence upon the policy of the association which might be detrimental to the interest of a majority of the shareholders. The limit was started in the Levis society at $125, or twenty-five shares of stock. The amount permitted to each associate was later raised to $250, then to $500, and stands at present at $1000. Deposits with the society are usually for smaller amounts, and no limit has thus far been placed on the amount which a member may place on deposit.

Out of the funds so raised, loans and advances are made to the members of the association. The granting of loans is at the discretion of the committee on credit. The loan may be granted on the simple note or acknowledgment of the borrowing shareholder; or the committee may decide that the loan shall be guaranteed by one or two other solvent members. Much will depend upon the amount of the loan, and on the standing of the borrower. But, as article fifty-one says, "the committee must, above all, consider and obtain accurate information with regard to the honor, the spirit of order, the activity, honesty and ability of the borrower, for such are the chief warranties exacted by the association."

In all cases the borrower must state clearly in his application the purpose for which he wishes the loan. If that purpose is

not in conformity with the aim of the association to encourage the promotion of productive enterprise, the advance is straightway refused. "You see," said President Desjardins in discussing this matter with the writer, "if we were to attempt to finance every frivolous adventure requiring capital, the objects of our society would be completely frustrated. For example, just to show you what I mean, a young man came to me one morning and told me he would like to have a loan of fifteen dollars. 'Very well,' I said, 'state your reason for wanting the money and I will bring your application before the committee at noon.' He hesitated, and, on my repeating the request, admitted that he was contemplating a pleasure-trip to visit some friends and was a little short of cash. 'In that case,' I replied, 'it would be absolutely useless for me to bring your application before the committee, as to grant such a loan would be a violation of our by-laws, which are equally binding on all the members of our society.' And yet the young man's credit was perfectly good. His purpose was simply outside the scope of the association."

In advancing credit for legitimate purposes, the advantage and convenience of the borrower is always given the most careful consideration, both as to the manner and time of repayment, and as to the rate of interest charged. The instalment plan of repayment is always encouraged where it is feasible. The instalments may be placed on deposit and draw interest until enough has been accumulated to pay the debt in full; or by special arrangement, the instalments may be applied directly in reducing the debt, interest being charged only on the unpaid portions for the time which elapses from the granting of the loan until each instalment is repaid. In the matter of repayment, the widest latitude is permitted. In all cases, however, it is considered a point of honor that the borrower live strictly up to the terms of the agreement he enters into at the time he receives the loan.

Take this example from the evidence of Mr. Desjardins before the committee appointed by the Dominion Parliament, as an illustration of the terms which a borrower may make with

his co-operative bank. "A member of our society came about the month of July last and said: 'I expect a payment due me of $150. I counted on it to pay the insurance premium on my life, but the man who owes me the money has not come. The premium must be paid to-morrow, and I have not a red cent in my possession. I want you to let me have $150 in order to pay my premium when due. What are the conditions?' I said, 'you have the option of either paying seven per cent. in advance, or eight per cent. with the privilege of then paying only for the time you keep the money, or any part thereof.' He said to me, 'I prefer the eight per cent. rate because you might have the money to-morrow or to-night.' He came the next morning and got $150, after I had submitted his demand to the board of credit. Five days afterwards he came back, and he had the money from the man who owed him. He paid his premium and said, 'now, according to the conditions, how much do I owe you?' I think it was twenty-three or twenty-four cents for the whole amount."[3]

In making loans and advances, the aim is to benefit the greatest possible number of members. In order to do this, a number of small loans are always given the preference,other things being equal, over one large loan for the same amount. In fact, the opportunity to place a large loan on favorable conditions must frequently be rejected on account of the demand for credit in small amounts. In justification of this policy, it is urged that the member who is in a position to use profitably a large amount of credit is usually so situated as to be able to get it on reasonable terms from one of the chartered banks, or from some other institution dealing in credit. The poorer member, on the other hand, could, in all likelihood, offer no security which such dealers in credit would accept.

Thus, " the greatest good to the greatest number " is the rule which determines the distribution of credit to the members of the society. First of all, the general meeting fixes annually the amount which may be loaned to any individual shareholder, just as it fixes the amount of stock which any member may

[3]Report of Committee on Bill No. 2, 1907, page 13.

hold. This is to prevent the possibility of finding the loanable funds of the association concentrated in the hands of a small number of members. Below the limit set by the general meeting the committee on credit exercise their own discretion in advancing loans. They are supposed to be acquainted with the financial standing and personal character of every member of the association, and they decide each application for a loan on its own merits.

In actual practice, however, the method is not so cumbersome as it appears at first sight. The committee usually has prepared a private list of all the members, placing opposite each name the amount of credit he should be permitted to draw. This list is placed in the hands of the president or manager, who is thoroughly acquainted with the purposes for which it is permissible to make advances; so that unless there are some unusual circumstances to be considered, he may grant the loan without a special appeal to the committee.

In this way the credit and loan side of co-operative banking is managed in Quebec; and the general policy in this respect is much like that of the European associations.

From the foregoing account of co-operative credit operations it is apparent that these societies offer decided advantages from the standpoint of the borrower. At all times the Quebec People's banks have steadfastly adhered to the policy of giving the maximum amount of service consistent with safety. Nevertheless, in the course of the year's business substantial profits accumulate in the treasuries of the associations. During the fiscal year ending November 30, 1909, for example, the profits of the Levis society were $4,861.72. For the preceding year they amounted to $4,000.36. Now the question arises, how are these profits distributed?

First of all have to be met the running expenses of the society. In the French Canadian associations these are invariably light. We have already noticed this in connection with the early history of the People's Bank of Levis. The only official on a regular salary is the business manager, and he is paid according to the time he devotes to the work of the society. Some

one is chosen as manager who can conveniently give the necessary time to the affairs of the bank without interfering too much with his regular occupation. At Levis, for example, the present manager is a justice of the peace,—a much more important official in French than in English-speaking communities. Still, he manages the business of the Levis People's Bank without much difficulty along with his professional duties, and was receiving last year twenty dollars a month for his services. Other expenses, such as printing, lighting, heating, and any travelling expenses which officials may be allowed in accordance with the constitution do not amount to a large sum in the aggregate. So the total general expenditure for last year, including the manager's salary, amounted to only $463.45; which is a very small outlay compared with the service rendered by the association.

After payment of the general costs of operation comes the claim for interest on deposits of which the society has had the use. As we pointed out above, the interest varies somewhat with the nature of the account, depending on the length of time for which the association can depend upon the use of the funds. But, in any case, the rates average about the same as those allowed by other savings banks in the neighborhood.

When these necessary expenditures have been met, the next important consideration is to provide a sound financial basis for the association. Mr. Wolff thinks this is best secured, in the village type of society, by unlimited liability. In fact, he deems this form of liability indispensable to the security of the country bank.[4] But what the Raiffeisen bank attains by means of unlimited liability, and what some other European models secure by restricting the withdrawal of share capital, the French Canadian associations aim to provide through a strong reserve or rest fund. This is made up of the entrance fees on each share of stock issued, together with an assessment of twenty per cent. of the net profits of each year, until the fund reaches a maximum of double the amount distributed in profits on the paid up stock of any year. The reserve fund remains the undivided

[4] op. cit., 46.

property of the society. It is invested by the council of administration in such ways as are attended with a minimum of risk; and any policy which could possibly endanger the reserve is absolutely unconstitutional. It can be used to meet only such extraordinary losses as are beyond the other resources of the association. For example, the Neuwied Central Bank of Germany at one time lost so heavily through its liberality in financing all sorts of co-operative schemes, that it was only able to save itself from bankruptcy by cancelling dividends and raiding its reserve.[5] Such a predicament could not occur under the conditions prescribed by the Quebec Syndicates Act; and yet the fact that there is a strong undivided fund waiting to meet any emergency which might threaten the existence of the society gives a sense of security to the entire membership, which is a rtsong influence in promoting the prosperity of the association.

As a sort of outer bulwark, protecting the reserve citadel, is the Provident Fund, designed to meet the first onslaught of any disaster which might threaten the stability of the credit union. It is constituted by means of a ten per cent. assessment on the net profits of each year until the fund shall attain a maximum of one-half of the yearly profits ("boni") distributed on the paid up stock.

But, according to the constitution, the assessments for both the reserve or provident funds may be increased or decreased by vote of the general meeting. We notice, according to the last annual report, that these funds are in such satisfactory condition as to warrant the manager's recommending to the association a reduction for the coming year in the percentage to be set aside for each of them from the net profits. He suggests that fifteen and five per cent., respectively, will provide ample addition to the reserve and provident funds for the next fiscal year. In the history of the Levis society up to the present time there has never been any occasion for a demand upon either of these funds.

After these various claims have been met comes the distri-

[5]Henry W. Wolff, op. cit., 172-3.

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bution of dividends or "boni" on the paid up stock. Those shares which have not been paid up during the entire year receive dividends in proportion to the time which has elapsed since the last instalment was paid. The aim is not to pay very high profits, but only such as shall ensure to those who invest in shares a little better return on their savings than if they had placed them on deposit. The constitution provides that, in case the profits of any year, after deducting the expense of operation, the interest on deposits, and the regular assessments for the reserve fund, are insufficient to pay a dividend equal, or nearly so, to the average for the three years preceding, the general meeting may order that the difference be made up out of the provident fund. This reduction, however, must be made up again as soon as the condition of the society will permit.

The following items from the Ninth General Report of the Levis association will serve to illustrate what has been said regarding the distribution of profits:

Profits for the year ending Nov. 30, 1909	$4,861 72
General expenses for the year	463 45
Interest on savings deposits for the year	592 53
Leaving a net balance of	$3,805 74
Reserve fund standing from last year	$4,101 87
Entrance fees for current year	283 35
Twenty per cent. of net profits	761 15
Present reserve fund	$5,146 37
Provident fund standing from last year	$ 912 59
Ten per cent. of net profits	380 57
Present provident fund	$1,293 16

Then, drawing on the surplus to the extent of $46.86, a dividend of four and a half per cent. was declared on the paid up stock for the year, making a total of $2,710.88 distributed in "boni" on the 12,953 shares of stock which were paid up on time to participate in the yearly distribution of profits. Sum-

ming up the reserves as they stand at the end of the year, we have:

Reserve fund	$5,146 37
Provident fund	1,293 16
Undivided surplus	337 78
Total "patrimoine"	$6,777 31

We come now to a more careful examination of the administration and management of these societies. Throughout the constitution and by-laws of the Quebec associations every possible precaution seems to have been taken to preserve the democratic nature of the institutions. We have already had occasion to notice that one man can have but one vote in the general meeting, no matter what his holdings of stock may be; we have seen that the amount of stock which one man may hold is strictly limited by the general meeting; and that the amount which any member may receive in loans is also limited by the same authority. Further, the general meeting, in which each member has an equal voting power, and in which none save corporations which have been admitted to membership may vote by proxy, is the chief authority and final court of appeal in all that pertains to the management of the association. At the annual meetings are chosen the representatives of the shareholders to whom is entrusted the administration and supervision of the affairs of the society. These constitute: 1, a council of administration; 2, a committee on credit; 3, a committee of supervision.

The council of administration shall consist, according to the constitution, of nine members chosen from among the shareholders by vote of the general meeting. The number, however, may be changed in case the membership so elects. They are to hold office for two years, five retiring by lot at the end of the first year, and the term of the remaining four expiring at the end of the second year, and so on. At its first sitting after the general meeting the council of administration must choose a president, a vice-president and a secretary, who constitute the

executive of the board, and besides, act as president, vice-president and secretary of the association.

The most extensive powers are vested in the council of administration. The members, known as directors, meet as often as necessary in the interests of the association. They control the admission of new members, and determine the conditions upon which stock may be transferred or withdrawn; they appoint or remove employees, fix their remuneration and determine their duties; they choose the salaried manager who has access to their meetings, keeps the books, signs documents as representative of the society, and, under the supervision of the council and committees, conducts the business of the bank; they call special meetings of the entire membership when they think necessary; and, in brief, "they take all the measures they deem advisable in the interest of the association not within the jurisdiction of the general meeting, or not inconsistent with the general by-laws or law."[6]

The committee on credit consists of the president and four shareholders appointed at the general meeting. These four members are elected for three years, two retiring each alternate year. Three of them must be present in order to render a valid decision. They represent the association in determining the credit which may be allowed to each member, and no application for a loan may be complied with until this committee has passed its approval. Nor can any action in such matters be taken unless the members present are unanimous in their decision. But in case they cannot agree regarding the granting of a loan, or should they refuse to advance any credit at all, the shareholder concerned may appeal to the council of administration. The council hears the evidence submitted by the members of the committee on credit, and also the case of the interested shareholder; after which the case is decided definitively by a majority vote of the board of directors.

The aim in selecting this committee is to choose the most widely acquainted, level-headed members of the community. They must know, or make themselves acquainted with, the

[6]Constitution of the Peoples' Bank of Levis, Article 69, Clause 10.

financial standing and moral character of every borrower; they must be men in whose judgment the association has the fullest confidence; and they must be above the suspicion of acting from jealousy or any purely selfish motive. As a safeguard against selfishness or partiality, no member of the committee on credit may borrow from the association, or become surety for any loan or advance during his term of office. They have power to demand the fullest information regarding all matters concerning the credit of the association; and under their direction all the regular financial statements are drawn up.

At the annual meeting another committee of three shareholders is also selected. These have been called, for want of a more adequate English term, the committee of supervision. They must not hold any other office or salaried position in the association during their term as members of this committee. They are elected for one year, and are re-eligible. They form a permanent board of supervision, audit and general criticism, which watches over all the operations of the society. They must frequently check the cash, and examine securities and investments; they see to the enforcement of the by-laws, and the carrying out of the regulations and decisions of the general meeting; they may control the decision of the committee on credit regarding loans and renewals; they have access to all documents; and may demand accurate information regarding every transaction in connection with the operations of the association. As advisers and critics, all other officials must hearken to their council. Where they find anything remiss in the management of the society they must report their observations in writing to the council of administration. Should the council not act at once, or should they find any serious violation of the constitution, they may proceed to call an emergency meeting. In the event of circumstances calling for extraordinary procedure, they have power to suspend the operations of the association entirely until a meeting of the shareholders has been called to consider the situation.

Owing to their authority over the committee on credit, the members of the committee of supervision are placed on the

same footing in the matter of obtaining credit from the association. They can neither act as surety nor receive a loan during their term of office.

Apart from our consideration of the general meeting, the council and two committees, we must look briefly into the duties of two or three separate officials. These are the president, vice-president, manager and secretary.

The president presides over the general meeting of the shareholders, and over the meetings of the council of administration. He decides points of order, and in case of an equal division of those present over any question, he has the casting vote. In case of his temporary absence or inability to act from any cause his place is taken by the vice-president. In the event of the resignation or death of the president the vice-president succeeds him for the remainder of his term of office.

The president may also fill the office of manager, as is the case in many of the French Canadian associations. The manager has charge of the books of account, takes care of the securities and cash belonging to the society, and under the direction of the council and committees conducts the business of the association. He must, at the discretion of the council of administration, furnish security, which shall be in the form of a guarantee policy from an insurance company, upon which the society pays the premium.

As provided in article 122 of the constitution, "the secretary has custody of the archives of the association; he draws up minutes of the general meetings of the shareholders, and of the meetings of the council of administration. He gives communication of the same at the meetings of the association and of the council. He performs all the duties connected with his office."

On the basis of our study of the Quebec societies, we are in a position to venture a few observations in comparison of the French Canadian type with some of the prevailing forms of European co-operative banks. While a complete comparison is not attempted, a few of the outstanding features of the societies

will be emphasised by placing them alongside of those developed in the different conditions of the countries of Europe.

Take first the Raiffeisen organization, which is the prevailing form of country or village bank in Europe. We note the similarity in the general humanitarian purpose of the two types of association, in the economy of management, in the strict supervision of the use of the loans granted. But we have the unlimited liability of the Raiffeisen shareholder as compared with the very limited responsibility of the member of the Quebec societies. Then, we have Raiffeisen's utter disregard of share capital as a means of accumulating funds. In fact, he only tolerated share capital because the Prussian law, secured under the influence of the Schulze-Delitzsch faction, forced it upon him. However, the shares were only a nominal compliance with the law, being as low as a farthing or half-cent a share in some instances.[7] Over against this indifference to share capital we have the effective use of moderate priced shares by the Canadian associations. In Quebec we have a much greater emphasis on the importance of raising the funds for the use of the society among its own members. The Raiffeisen bank works on a smaller scale, and among people of more limited means than the average French Canadian association. Hence, it lays more stress on the stimulation of enterprise than on saving. In order to secure the necessary capital, each member is pledged to unlimited liability. Often some rich man unites with the society, and on the basis of his security capital may be borrowed on easy terms to lend to those who need credit.[8]

If we now turn to the Schulze-Delitzsch model, the "town" or "people's bank" of Europe, we find other points of similarity and difference. In the first place, we are struck by the greater expenditure in the operation of the town bank. Many of them, as we have noticed, occupy handsome buildings and employ quite a staff of clerks and officials. This is in marked contrast with the humble Raiffeisen societies with their volun-

[7]Henry W. Wolff, op. cit., 92. Cf. C. R. Fay, Co-operation at Home and Abroad, 43.

[8]H. W. Wolff, op. cit., 93.

tary service; and also differs from the economical management of the Desjardins model. Schulze went on the assumption that paid service is always best and cheapest in the long run. Raiffeisen, working chiefly among those with very limited means, whose time is not placed at a very high money value, disallowed all remuneration. Mr. Desjardins, living amidst the somewhat intermediate conditions of a French Canadian community, chose a type a little nearer the Raiffeisen than the Schulze ideal in the matter of expense. Each is perhaps best in its own peculiar social environment.[9]

In his attitude toward share capital, we find that Schulze emphasized, very strongly, saving, thrift, and self-help. These, he believed, could best be promoted by the selling of stock. Thus far he was in perfect unison with Mr. Desjardins. They differ, however, as to the size of the shares to be used. Schulze considered that his object could be best attained by issuing large shares; while Mr. Desjardins maintains that the small share is most effective. In the European town bank the size of the share varies from society to society, but the minimum is about thirty dollars.[10] In Quebec most of the associations use a five dollar share, and Mr. Desjardins considers this plenty large enough. The ordinary man, he finds, takes a pride in adding to the number of his shares. The greater effectiveness of the large share in Europe rests upon the fact in the people's banks liability was originally, and is still largely unlimited. Where a man pledges himself to unlimited liability in order to obtain the advantages of co-operative credit, his object has been attained by the purchase of one share. It is found that in societies of unlimited liability most members purchase but one share. Hence the necessity that it be large if it is to be a means of accumulating capital.

Another point of difference lies in the scope of the business done. We find the people's banks of Europe in active competition with the regular chartered banks. In Germany the co-operative bank often does the bulk of the business in a city.

[9]Ibid., 112.
[10]C. R. Fay, op. cit., 22-23.

We have already referred to the situation in Lombardy, where the people's banks control three-quarters of the banking business. In Quebec the aim is rather to supplement than to supplant the regular banks. It often happens that members who wish large advances and can give good security, are refused accommodation on the ground that the funds can be used for small loans to poorer people, while the rich member will have no difficulty in obtaining credit at a chartered bank.

When we come to consider the Luzzatti or Italian model, we find some points of closer similarity to the working type in French Canada. In the first place, we have limited liability in common. Then, the Quebec societies have practically adopted Luzzatti's plan of making shares small and having them paid up in instalments stretching over a period of ten months. The Italian shares are withdrawable and transferable as in the Canadian associations. But the disposal of shares is very strictly supervised in Canada; while we find Mr. Wolff deploring the fact that the easy transfer of shares of some Italian banks is absolutely faulty from the co-operative point of view.[11] Again, the counters of Italian banks are open to deposits from all who come; while in French Canada savings are received from members only. On the other hand, both systems are alike in being entirely independent of government aid. In this respect they differ from the German, French, Austrian and Hungarian associations, as well as those being established in Ireland and India. In all of these countries the societies have been more or less pampered by government assistance. The best authorities on co-operative banking are opposed to the granting of government aid; or, in any case, maintain that it should be only sparingly used as a step toward independence. Mr. Desjardins stands for the Italian policy of self-reliance, and opposes government assistance under all circumstances. He would be glad to have the Canadian government show enough interest in the movement to clear the way by suitable federal legislation; but beyond this he thinks it would be a mistake to go.

Again, the Quebec associations strictly forbid the granting of

[11] Henry W. Wolff, op. cit., 66.

credit to officials and committee members who have anything to do with the handling of the funds, or who control the making of loans. Nor are such persons permitted to act as surety for others borrowing from the society. The tendency in Europe at the present time is toward the adoption of a similar policy. The German societies have suffered severely in the past through the granting of excessive credit to members of the controlling boards. Many German and Austrian associations have tried to meet this situation by the appointment of a separate appraising committee to deal with loans to officials and boards. But even this has not always proven a sufficient safeguard.[12] The tendency to favor officials with unjustifiable credit has been so persistent that the Quebec societies disallow the practice entirely.

We have already pointed out the difficulties encountered by the Neuwied Central bank as a result of financing other co-operative enterprises. It is a common thing for the local Raiffeisen associations to act as purchasing and distributing agencies for their members. When confined strictly to the humble country bank, where the business is very small, this practice seems to have resulted in little harm. But Wolff is strongly of the opinion that co-operative credit associations should confine their activity entirely to the banking business.[13] In this respect, Mr. Desjardins is fully in accord with him. On the basis of his wide study of the subject, he has come to the conclusion that productive and distributive co-operative societies should always be separately organized from the credit and banking associations. This, of course, does not hinder a man from being at the same time a member of several societies organized for different purposes. By keeping the associations separate, each is forced to stand or fall on its own merits; and the failure of one branch of co-operative enterprise need not bring about the downfall of the whole movement. On this account the Quebec societies confine themselves entirely to the credit and banking business.

[12]Henry W. Wolff, op. cit., 74 and 198-9.
[13]Ibid., 173.

Finally, we note that the Quebec Syndicates Act makes local control a fundamental principle of the Canadian associations. No branch system or other centralized organization is thus far permitted. In Europe, on the contrary, the establishment of branches and the centralization in unions constitutes one of the most distinctive features of the movement. We found Schulze-Delitzsch, in 1859, organizing his "Allgemeiner Verband der deutschen Erwerbs- und Wirtschafts-genossenschaften."[14] In 1899, Raiffeisen established the "General Verband landlicher Genossenschaften"; and the precedent so established has been generally followed throughout Europe.[15] The bank of Augusburg, for example, with its 250 branches, covers the whole province of Upper Bavaria;[16] the co-operative bank at Milan has 300 local branches;[17] and the town banks of Switzerland are concentrated in the Swiss People's Bank with its branches all over the nation.[18] Then we find the rural banks of France, to the number of 1,638, affiliated in the "Caisses Régionales," and the "Centre federatif du credit populaire en France" uniting the town banks;[19] the Belgian "Boerenbond Belge," held together by its system of central banks;[20] and the Swiss Verband, consolidating the country banks of that nation.[21] In fact, almost everywhere in Europe we find the co-operative banks united in strong federations around systems of central banks.

This system of centralization has its advantages. Indeed, where the government is promoting the movement, as is so frequently the case in Europe, some form of organized union is indispensable. Whatever may be the effect of this dependence upon state aid, its dispensation necessitates union and some measure of government inspection. With or without government assictance, centralization may be effectively used in establishing new societies. In Finland, for example,[22] and in

[14]C. R. Fay, op. cit., 20. [15]Ibid., 21.
[16]H. W. Wolff, op. cit., 86. [17]Ibid., 152.
[18]C. R. Fay, op. cit., 67. [19]Ibid., 68-70.
[20]Ibid., 69. [21]Ibid., 74.
[22]E. A. Pratt, op. cit., 192-3.

the Grand Duchy of Luxemburg,[23] central banks were established first to act as agencies in organizing local associations. Even in Quebec, though there is no legal or financial connection of the different associations, it is difficult to see how the work of organization would go on without the unifying spirit of Mr. Desjardins. Seldom has a "caisse" been started without his presence; and the Levis association with its constitution and by-laws has served as a model for all the others. In a letter of March 22, 1910, he writes: "More than sixty invitations have been received by me for new ones to be established in the course of the spring and summer."

The chief advantage of centralization, however, comes from its efficiency in circulating and equalizing financial reseurces. This is desirable whether the banks be independent or state aided. Indeed, it is maintained that where the surplus of one locality can be brought to supply the deficiency of another, any necessity for outside selp usually disappears. The central bank, being in touch with all the affiliated branches, acts as a sort of clearing house for funds. Surplus and deficit balance each other throughout the system, and the resources of the whole union generally balances the call for loans and advances.

In case the funds within the union are insufficient, the central bank may serve as a medium through which funds may be secured on reasonable terms from outside sources. These institutions are supposed to be organized on the regular limited liability basis; and to be in touch with the capitalist money markets of the country. Hence, they may be expected to secure better terms for loans than the less experienced local credit associations.[24]

Possibly the main objection that can be urged against central banks is that they may result in the concentration of capital in certain districts to the impoverishment of others. There is a tendency among thrifty but unprogressive people to overemphasize saving to the neglect of the stimulation of enterprise. The expectation of profits is a necessity if saving is to be stimu-

[23]Ibid., 223.

[24]On this whole subject, see Wolff, Co-operative Banking, 50-60.

lated; and this in turn demands that there be enterprise and fruitful investment somewhere. If the surplus may be transferred through a central bank to some neighborhood where investment is easy and business keen, there will be less incentive to develop local resources. The end and aim of co-operative effort, however, should be to ferret out every profitable way in which credit may be employed in the immediate neighborhood. One of the most serious charges brought against chartered and savings banks, insurance companies, etc., is that they drain the different localities of the funds which should be utilized at home. Under a centralized system of co-operative credit the same evil might possibly result.

Then, too, there is a sense of security and confidence in the fact that the funds of the society are being invested right under the supervision of the membership. This means a great deal, especially to people whose knowledge and interests extend little beyond their native parish. Among such simple-minded folk there is a feeling that you never can tell what will happen to your savings if they are sent away to the big city, where all sorts of money-making schemes are being hatched. As we shall see, this confidence in home management, and in the local use of funds, has been an important factor in determining the success of the French Canadian associations.

Still, we believe that the time is not far off when some system of centralization would be of considerable benefit to the Quebec societies. There have already come to light several instances in which some banks have had more funds than they could possibly find use for, while others had a greater demand for loans than they could meet with their own resources. It would obviously be to their mutual advantage if such associations could be made to supplement each other. We can see no reason why this could not be accomplished with safety on the plan proposed by Schulze-Delitzsch of having a strong, independent joint stock bank bound to the co-operative banks through a controlling interest in its stock.[25] Indeed, many of the other forms of centralization seem to be giving excellent results in Europe.

[25]Henry W. Wolff, op. cit., 160-162.

We may expect to find the Quebec societies grapple with this problem as soon as the need of a solution becomes imperative. It is probable that some scheme of interrelation will be worked out which will preserve local independence, security and enterprise; and, at the same time, enable each of the societies to stimulate the others by an interchange of ideas, and to render each other financial assistance which shall be mutually advantageous.

CHAPTER III.

ECONOMIC AND SOCIAL EFFECTS OF CO-OPERATIVE CREDIT ASSOCIATIONS IN QUEBEC.

The Province of Quebec, over which these societies are springing up, stands easily second among the provinces of the Dominion in population and in the development of its resources. First comes Ontario, the banner province of the federation. At the outset of our study of this part of the problem, let us take such a bird's eye view of the economic and social situation as we can obtain from the following sets of figures comparing Ontario and Quebec. The statistics are from the census of 1901, except where another date is given, in which case they are taken from a compilation issued by the Department of the Interior in 1909:

	Quebec.	Ontario.
Area	351,873 sq. mi.	260,862 sq. mi
Population	1,648,898	2,182,947
Families	307,304	455,264
Houses	305,527	459,742
Average size of family	5.36	4.97
Area in crops	4,704,396 ac.	9,212,478 ac.
Values of:		
1. Farm lands	248,236,361	$536,755,663
2. Buildings	102,313,898	211,206,905
3. Live stock	58,488,457	131,827,762
4. Implements	27,038,205	52,697,739
5. Field crops	44,851,108	102,138,819
6. Forest products	18,969,716	21,351,898
7. Fisheries (1907)	2,047,390	1,935,025
Education:		
1. Number of schools	6,549	6,413
2. Number of teachers	13,139	10,643
3. Number of pupils	372,599	478,549
4. Expenditure	$4,465,537	$8,769,876
Manufactures (1905):		
1. Capital	$255,497,662	$397,484,705
2. Wages	47,160,452	82,415,520
3. Value of product	219,861,648	367,850,002

Judging from the above figures, and many others that might be given, we see that Quebec occupies no mean position among the provinces of the Dominion. This would be still more evident were we to take the corresponding statistics for the other provinces into consideration.

Still, the person who has obtained his first acquaintance with the social and economic life of Quebec from the data of the census, is apt to be somewhat disappointed on coming into close quarters with actual conditions. The measure of his disappointment will depend, to be sure, upon the economic, social and intellectual environment in which his own standards have been formed. If he be a native of Eastern Ontario or of the Atlantic seaboard, it is quite possible that he may be familiar with industrial conditions differing little from those prevailing in Quebec. It is hardly likely that he will have sprung from any community less in touch with modern intellectual life. But, in the Eastern Provinces and neighboring states there are many communities that present just as unprogressive an aspect, economically, as any part of this French Canadian province. Should our investigator have come from central or western Ontario, or should he be familiar with conditions in the western provinces, or in any one of the great mjaority of the United States, he will be impelled to search for a cause of the general slowness of progress which prevails over the greater portion of Quebec.

He turns first to the natural resources of the country. The land suitable for agriculture forms a comparatively small proportion of the total provincial area. But the soil is of good quality and is undoubtedly capable of yielding much better returns than it does under present methods of agriculture. As we shall see in the next chapter, however, this is a criticism which might apply with equal force to most of the older sections of the United States and Canada. Many agricultural communities in Quebec in proximity to the cities are worked in an up-to-date manner. But as one passes down the St. Lawrence on either bank he will have little difficulty in imagining himself among the small peasantry of certain parts of Europe. The

land itself in many sections is surveyed in such a manner as to make effective agriculture impossible. The farm may have a frontage which resembles a town lot in its narrowness, and which may stretch back from the highway a mile or two, depending on the amount of land a man owns. This is an advantage from the point of view of the "habitant," who so loves to be in constant social intercourse with his fellows. The houses are generally built on the front of each farm, giving the public highway the appearance of a long country village street. People at work in the fields, or at milking time morning and evening, may shout a greeting to each other. After the day's work is over, and on Sunday afternoon, they gather together on the verandas formed by the wide projecting eaves of the humble cottages, and enjoy the community life which means more to the French Canadians than worldly prosperity.

As we study the work on these farms, we find it in marked contrast to agriculture elsewhere in America. The crops vary a great deal. In some places the land is naturally poor; in others it has become impoverished; again we strike rich bottom lands with fertility still unexhausted; while occasionally we come upon farms which have been maintained or built up by scientific agriculture.[1] Manual labor, and especially the work of women and children, is a much more prominent factor in rural life than elsewhere in Canada and the United States. The scythe, the cradle, and the hand-rake are still important implements on most of the farms. The machinery for the utilization of horse-power often appears inefficient to one brought up on a central Ontario farm. Going back the long narrow lane, we meet the farmer on a light single waggon piled high with about one-quarter the amount of hay usually seen on a two-horse waggon-rack. Further back, we find a son riding a one-horse mower in a field of clover. The fact that a light single harrow, and in some cases a one-horse plow, were used in preparing the soil explains the unevenness of the surface, and, in part, the

[1]M. Leon Gérin, Deux familles rurales de la rive sud du Saint-Laurent Des Mémoires de la Société Royal du Canada, Troisième Série, 1908-9, Vol. ii, Section 1.

lightness of the crop. The farm buildings are, for the most part, small and inefficient. Large frame barns with stone stabling underneath, such as are seen one nearly every farm in large sections of Ontario, are seldom or never found. On the whole, we must conclude that the French Canadians are far from making the best possible use of their agricultural resources.

But what about the other resources of the province? The most important among these are undoubtedly the products of the forest. The lumbering of the great valley of the Ottawa has for a couple of generations spread far and wide the fame of the French Canadian as a lumberman and river-driver. Thus far, however, this industry has been largely an exploitation, rather than a development of resources. The Frenchman has been the useful and generally poorly paid tool by means of which the outsider has been enabled to devastate the natural wealth of his native province. He has done the work. Others have pocketed the spoils. The winter work of the lumberman is being pushed farther and farther back, leaving vast stretches of territory covered with dry brush, a prey to forest fires. Land which is unfit for anything but forest culture, and which, with proper care, could be made a permanent source of wealth, is laid barren at one stroke by individual and corporate greed; and but seldom do we find the man with insight enough and sufficient spirit to raise a cry of protest. Where an exceptional individual or two have been aroused and have voiced a message of indignation and warning, it has sounded as one crying in the wilderness, with none to go out and hearken.

Where, let us now enquire, are the industries for which this wholesale spoliation of the forest would lead us to look? In Ottawa, Montreal, Hull, and a few other places there are the lumber mill sections of the city, squalid and uninviting, where poorly paid workmen eke out a miserable existence. At Hull are the Eddy Pulp Works, which point to the possibilities which lie within the resources of the province. But Quebec herself has, up to the present, received but small benefit as compared with the depletion of her natural wealth. The export of raw

or half-finished materials has conferred on the foreigner the bounty of her splendid resources, while Quebec has been content with the paltry toll collected as they passed beyond her grasp.

The same process is going on yet. The province still has the finest areas of spruce pulp-wood in existence. The industrial possibilities latent in these vast forests of small spruce are almost beyond comprehension. The subject has been admirably treated by Mr. Errol Bouchette in his book, "L'Indeépendance Économique du Canada Français," 1905. He goes into the modern development of the pulp and fiber ware industry in all its phases; and shows that the French Canadians, owing to their artistic temperament, are eminently fitted to carry it to the highest degree of perfection. But high industrial efficiency in any line presupposes a thorough system of general and technical education. This, he maintains, is what Quebec stands most in need of, if she is ever to take the unique place in the industrial world for which she is fitted, both by her natural resources and the potential skill of her population.[2] But up to the present the pulp wood resources of the province seem to be suffering the same fate as befel her forests of large timber. The best of the pulp wood areas are being slashed through, leaving the refuse as tinder for forest fires. The fire destroys all seeds and young trees; and nothing remains but a barren stony waste, which once supported what might have been a perennial source of wealth and industrial prosperity.

Moreover, this material is largely exported in a raw or only partly finished state; which means, again, that the province receives but a small share of the benefit possible from the depletion of her resources. In 1908, there were exported from Canada to the United States 901,861 cords of rough pulp wood blocks, valued at $4,655,371. In the same year there were exported 4,811,163 cwt. of ground pulp, valued at $4,037,852, of which all but 6,664 cwt. went to the United States. The exact figures for the provinces are not available, but it is estimated

[2]Errol Bouchette, L'Indépendance Économique du Canada Français, Chapter v, especially page 98.

that nearly all of this material came from the province of Quebec.

Besides, the province has splendid mineral resources. These remain for the most part undeveloped, and even largely unexplored. But it is to be noticed again that where they are being worked, the products are being sent in the rough state to create industries elsewhere. Let one example suffice. Quebec seems to have a practical monopoly of the asbestos deposits of Canada. During the year 1908 she exported 59,033 tons of asbestos, valued at $1,703,575. Of this 46,846 tons was received by the United States. We have only to think of the different articles which are manufactured from this mineral to get some idea of the loss represented by its export in the crude form.

The people are following their resources. They have flocked by the tens of thousands to the eastern states, where they are developing an individuality and initiative, and achieving a prosperity which was impossible at home. This helps to refute the arguments of some who believe that the unprogressiveness of French Canada is due to the inherent character of the people. It is held that they are naturally lacking in self-reliance, in initiative and in the persistence which compels success; that they are more fitted to be the docile instruments of exploiting leaders than for the individualism of democracy.

This view would seem to be justified by a consideration of the masses in French Canada as they appear to-day. We have only to look around, however, among the leaders in the political and intellectual life of Canada, to be assured that the French race has not yet lost its virility. There are men who are worthy of their ancestors who stubbornly contested the possession of the continent with England's bravest sons. We believe that if every French Canadian could have a training and experience such as has brought these men to the fore, the race would take its place among the most progressive elements in the population of the new world.

The French Canadians have had a longer uncontaminated descent upon American soil than any other white race. . Mr Benjamin Sulte, who has made a very careful study of the

origin of the French Canadian, estimates that the original emigrants, men, women and children, did not greatly exceed five thousand souls. His conclusion is that the type is either pure Norman or mixed Saxon and Norman, and that there has been comparatively little admixture of new elements since. Of this stock, there are now over three million descendants in Canada and the United States. On the strictly materialistic interpretation of history we would expect to find them the most American of Americans. Other nationalities are thansformed in a generation, physically, mentally and spiritually. The children of Russian Jews, Poles, Swedes, Norwegians, Germans and other northern races begin at once to take their places in the industrial and intellectual life of America.

How is it, we are compelled to ask, that the influx of French Canadians into the New England states is regarded in about the same light as the invasion of Hindoos, Japs and Chinamen in the West? Physically, they are in no way inferior. They may average a little shorter in stature than other Americans and Canadians; but the student of eugenics will be delighted by the high percentage of well-knit, agile young men, and beautiful, bright-looking young women to be found in both the urban and rural districts of Quebec. It cannot be on the ground of physical inferiority that they are among the most unwelcome of immigrants to the United States It is on other grounds that objections are raised. They are charged with being unenterprising and unaggressive, with accepting lower wages than other American workmen, thus bringing down the standard of living.

Why such charges should be preferred against a race with the glorious antecedents of the French Canadians can be understood only in the light of their history since French political supremacy received its death blow on the Plains of Abraham. A people is largely molded in accordance with the standards set by its great men and its national traditions. French idealism, in all its most vital aspects, ceased to dominate Canada with the lowering of Montcalm's colors upon the citadel of Quebec. But English heroes and historic traditions did not supplant the

long list of achievements by French discoverers, explorers, warriors and statesmen whose lives had been given to the early development of America. In so far as the province of Quebec is concerned, what really occurred was not the fall of French before English political supremacy. It was the transfer of the reins of government from French civil authority to the control of the clergy of the Roman Catholic church. We need find little difficulty in believing that, had France remained in political control, the intellectual life of the province would have kept pace with the rapid development in the motherland; and it is difficult to estimate how such an intellectual evolution might have reacted upon the industrial development. But as it was, England relieved herself of responsibility and, at the same time, of the danger of revolt, by what practically amounted to a recognition of the supremacy of the church in things temporal and spiritual. For what there exists of good in the province we must give the church the credit. The blame for any lagging behind in the march of progress must rest at her door as well.[3]

In his admirable discussion of this subject, André Siegfried says: "Let us make haste to acknowledge that upon the banks of the Saint Lawrence the Catholic church has achieved a place apart, that it has always proved a loyal and powerful protection to its disciples, and that our race and tongue owe to it, perhaps,

[3]Note: To the many Catholic friends who have so generously aided him in making this investigation, the writer must here offer a word of explanation. He probably seems to be making a malicious attack upon all that they hold most sacred. The only apology he can offer is to state honestly that he regards all churches and all creeds as but incidents in the development of the race. Religion is something deeper and continues to live by ever finding new forms to clothe itself in. Organizations and creeds never provide for their own revision. They make no provision for progress. Their prevailing attitude toward investigation is repressive. Their chief concern is to quench all truth and all progress which would endanger their cherished dogmas. The recent controversy raised by the expulsion of Dr. Workman from the Methodist College in Montreal, and a multitude of similar incidents which could be gathered from the activity of contemporary Protestant denominations, all go to show that there is not one of these sects but would take advantage of a situation such as has favored the Catholic Church in Quebec. For a discussion of the principles underlying this point of view, the reader is referred to an article entitled "Religion and the Mores," by Prof. Wm. Graham Sumner of Yale, in the *American Journal of Sociology* for March, 1910.

their survival in America."[4] Again, speaking of the French and English-speaking populations in Canada, he writes: "After a hundred and fifty years of life in common, as neighbors under the same laws and the same flag, they remain foreigners and, in most cases, adversaries."[5] The survival of his race anl language evidently affords considerable gratification to a Frenchman, loyal to his national traditions. But this loyalty does not blind the scientific student of society to the other side of the question. He goes into the matter and lays bare the cost at which the racial integrity has been preserved.

In these two quotations we have the key to the moral, social and industrial situation in Quebec. Here " the Catholic church has achieved a place apart," and this position has been won by looking on the rest of the world as " foreigners and in most cases adversaries." For over one hundred and fifty years this seclusion has persisted. The church has controlled to a large extent the political situation, and has dominated absolutely the educational system of the province,—the teachers who taught, the books studied, the lectures heard, the newspapers read. This has had some good results. The people, as a whole, are hospitable, happy and content; in their home life and simple economic relations, they are highly moral; the training which the young girls receive in the convents fits them to become the most faithful of wives and the fondest of mothers.

But here our praise must call a halt. Happiness and contentment are dearly bought if purchased at the expense of progress. The large number of French Canadian girls who find their way as prostitutes into the brothels of Canadian and American cities would indicate that the morality at home is based upon tutelage rather than upon strength of individual character. The high infant mortality among French Canadian families shows that the training for motherhood breaks down before the all-important test of its efficiency.

As emphasized throughout Siegfried's work, the policy of the Catholic church has been one of isolation. The influence of

[4]André Siegfried, The Race Question in Canada, 11-12.
[5]Ibid., 100.

Old France, where the church has been forced to abandon trench after trench before the onslaughts of triumphant rationalism, has been tabooed as the direst pestilence. Contact with the rest of America was equally feared. Here even liberal Protestant churches are making themselves ridiculous in their attempts to justify their long-cherished dogmas in the eyes of modern culture. If her "place apart" were to be preserved, the church must control every avenue through which mental stimuli could reach her people. She has succeeded in a way which almost passes comprehension. The press has been subjected to a rigid censorship; the public platform has also been kept well under control; the education of Catholics, who form almost ninety per cent. of the population, has been entirely in the hands of the church. Consequently, almost every influence which has stimulated modern thought, leading to creative activity and progress, has been rigorously debarred from the educational system of Quebec. The instruction imparted to the young was strong in catechism and the stories of the saints, the higher education was classical and admitted the less stimulating phases of mathematics and natural science. The philosophy taught was the logic of the scholastics, the history that of the church.

But such Arcadian simplicity could not be maintained forever. even in the province of Quebec. Intellects felt the glow of the brightening flame of the world's culture in spite of priestly vigilance. In the light of that glow they saw their dear old native province as she was, fast asleep amid the turmoil of the world's onward rush. It was time that she, like Rip Van Winkle, should awake, rub the cobwebs of one hundred and fifty years' accumulation out of her eyes, and see where the world was at. To make a long story short, a strong progressive element has arisen in the legislature which is making the church and the clerical political party quake, lest in its zeal for educational reform the dominance of the priesthood may be undermined at its foundation. The situation is admirably illustrated by the following extract from an editorial in the chief organ of the Conservative opposition, "L'Action Sociale," of July 5, 1909:

L'ENSEIGNEMENT LIBRE.

Au banquet Tellier, à Joliette, le chef de l'opposition a prononceé, à propos d'instruction publique, des paroles qui valent la peine qu'on les cite; les voici:

"En matière d'instruction publique, nous croyons qu'il y a place pour des réformes et qu'il reste encore du chemin à faire avant de toucher à la perfection. Mais nous sommes loin d'admettre que notre condition soit aussi alarmante que se plaisent à le proclamer certains organes du gouvernement.

Nos écoles primaires laissent sans doute à désirer sous certains rapports, dans bien des cas, et c'est de ce côté que l'attention du pouvoir public doit surtout se tourner.

Il ne peut être question de contrainte à l'égard des parents, il ne s'agit que de les aider, de les encourager, de les assister.

Quant à nos maisons d'éducation supérieure, grâce au zèle admirable et au dévouement sans borne de notre clergé, elles réalisent assez parfaitement l'objet et le but de leur fondation, et nous avons raison d'en être fiers.

S'est le devoir du gouvernement de venir au secours de l'initiative privée, de la seconder, de faciliter la tâche de tous les bons éducateurs de la jeunesse, et d'entourer de toute sortes de soins et de protection ceux qui nous préparent les hommes de demain.

Ce qui importe surtout, c'est de conserver toujours la religion à la base de l'enseignement et de ne jamais rien faire qui soit de nature à violenter la conscience des pères de famille."

M. Tellier a raison de dire qeu la religion doit demeurer à la base de notre enseignement, quelles que soient les réformes qu'on y fasse par ailleurs.

On a longtemps clamé dans une certaine presse canadienne,—qui a mis une sourdine à ses réclamations mais ne perd encore aucune occasion de les faire valoir,—que la province de Québec est une province d'arriérés, de toutes façons.

A-t-on jamais tenu compte qu'à peine après soixtante-quinze ans d'organisation scolaire, nous ne pouvons encore atteindre ici au haut degré d'enseignement et de culture intellectuelle où sont parvenues certaines nations d'Europe, qui comptent des universités, des institutions et des méthodes d'enseignement établies depuis cinq ou six siècles?

Après tout, notre système éducationnel vaut bien celui des autres provinces canadiennes.

> Tous sont susceptibles de perfectionnement: mais tous ne donnent pas, comme le nôtre, liberté absolue à l'enseignement religieux.
>
> A quelque secte qu'ils appartiennent, nos concitoyens protestants peuvent avoir ici leurs écoles distinctes, maintenues à même les fonds prélevés par l'état pour l'instruction publique; et il ne leur en coûte pas plus qu'il n'en coûte aux catholiques.
>
> En peut-on dire autant du système scolaire d'Ontario, de la Nouvelle-Ecosse, du Nouveau-Brunswick?
>
> Peut-on comparer au nôtre celui du Manitoba et des provinces de l'Ouest, où des exigences politiques pitoyables, des inuences néfastes ont causé qu'on enlevât aux catholiques des droits certains à des écoles séparées?
>
> Sur ce point, notre organisation scolaire est en avant, et bien au-dessus des autres: elle reconnâit à chaque citoyen le droit de faire enseigner à ses enfants, dans des écoles de son choix, les principes de la religion qu'il pratique. L'état no contrecarre pas la volonté du citoyen, il lui rend justice.
>
> Sans doute,—nul n'y contredit,—il y a place, dans notre système éducationnel, pour des réformes importantes: amélioration du programme scolaire, augmentation des salaires d'instituteurs, création d'écoles techniques, sont au tout premier rang de ces réformes. Et l'état tâche à les accomplir.
>
> Mais le principe fondamental de l'instruction, l'enseignement religieux, doit y subsister, sans qu'on y porte la plus légère atteinte.
>
> M. Tellier l'a reconnu, de même que nos gouvernants actuels, à Québec.
>
> C'est une garantie pour l'avenir, il importe qu'on la mette en relief, et qu'on se garde de l'oublier.

Here we have a suggestion of the reforms for which the liberal leaders are contending. They have pointed out the defects of the existing educational system; and have implied that these shortcomings are in some sense due to clerical control. They are advocating the establishment of provincial scientifically conducted technical schools; and, as tactfully as possible, have pointed out that the present elementary educational education affords no preparation for the instruction to be given in these institutions. We also see the sort of arguments which are used against the reformers. They are, in an indirect way, accused of attempting to undermine religion, of interfering with the

rights of parents, of making inroads on the individual liberties permitted under the present school system, and of unjustly maligning the admirable system of primary and secondary education of the province.

In a letter dated Ottawa, April 25, 1910, Mr. Errol Bouchette, who has done for the educational movement all that Mr. Desjardins has for co-operative credit, writes to the effect that the system of technical schools is almost completely organized. There is, over the whole system, giving it unity and setting the standards, " L'Écol des Hauts Études Industrielles et Commercials." " These schools," says Mr. Bouchette, " are costing millions, but they will mean billions to the future of Quebec."

From this sketch we get a general view of the natural resources, and the social, industrial, and educational conditions of the province, which has become the field of operation for co-operative credit associations. We have been introduced to a simple, genial, unenterprising people. They are stable in residence and occupation, and homogeneous in religion, intellectual standards, and racial descent. They have a heritage of splendid natural resources, which, in so far as they have been utilized, have contributed about the least possible to the general well-being of the people. This wastefulness and general backwardness we attribute to isolation from the thought and activity of the outside world. While it might be some exaggeration to say that " There the richest was poor and the poorest lived in abundance," the people are, on the whole, thrifty, and distressing poverty is seldom met with. In the light of the history of the European movement, we would judge that Quebec should afford an ideal field of operation for co-operative credit. Our task is now to determine wherein the situation is being altered in any respect through these societies.

In the first place, let us enquire into the influence upon the church. She may be making some concessions, but still reigns in her " place apart." Any attempt at reform in open defiance of her wishes would have small chance of success; while a movement which could in any way reform the church herself would affect the whole social organism. Now this is just what

co-operative credit is helping to do. The French Canadian clergy are becoming aware of what is being done by the church in the different countries of Europe. We shall have occasion in the next chapter to refer to the leadership of the priests in promoting the social and economic welfare of their people. We shall see how they have become the champions of technical education on a scale so practical and far-reaching as to influence the humblest peasant farmer. They have everywhere identified themselves with the co-operative movement, and especially with the organization and management of the credit associations.

On the basis of the work being done by the church in Europe, an appeal was made to the clergy in Quebec. The response is seen in the large number of priests who are studying the movement, and who are taking the lead in the establishment of societies throughout the province. Nor has the good work ended here. The interest aroused in these associations, whose ultimate aim is the promotion of industrial enterprise, has called attention to the crying need for technical education; and this has not been without its influence in making possible the present reorganization of the school system. Thus, we see how the work of Mr. Desjardins has converged toward the same goal as that of Mr. Bouchette with his programme of educational reform.

The revival of interest in provincial welfare has extended even to a slight participation in the conservation movement which has been sweeping over America. During its last session, the Quebec Legislature enacted that "All timbers cut on crown lands shall be manufactured in Canada, that is, converted into pulp or paper, deals or boards, or into any other article of trade or merchandise of which such timber is only the raw material." Ineffective as this clause is reported to be, it does mark the beginning of an effort to stay the ravage which has been depleting the natural resources of the province.

So much for the general effects of co-operative credit upon the province. Let us now turn to those results which are only to be discovered from a study of the working of the individual societies.

In our historical survey, we have dealt with the hoarding

tendency of the French Canadians, and have suggested that its persistence might prove an impediment to the establishment of co-operative banking in Quebec (page 11 above). The old habit of hoarding specie has become a thing of the past, partly on account of the difficulty of obtaining coin, and partly because the people have become convinced of the reliability of the Canadian bank notes under the system established since confederation. Besides, the time came when the old French coins would no longer pass at their over-rated valuation. But the hoarding habit is by no means a thing of the past. Evidence of this fact comes cropping up in the most unexpected ways. Just as these words are being written, a Montreal paper comes to hand containing the following item of news:

> St. George, Beauce, March 28.—A body was cremated and a house and all its contents were destroyed by a fire which broke out here yesterday. The house belonged to Jean Du lac, and a wake was being held over the body of his dead son when the fire, which was caused by wax tapers igniting the mourning drapings of the death chamber, broke out. Attempts to save the corpse proved futile, and the members of the family, who were at dinner at the time, barely escaped with their lives. The house and the furniture as well as several hundred dollars which were in a bureau drawer were destroyed.

From such evidence we see that bank notes are taking the place of the hoarded coin.

But it is remarkable to see the way in which this long-established custom is yielding before the establishment of the co-operative credit associations. The men who are in control of these societies are the choice of the membership. The different departments of the administration check each other up; and besides, the parish priest, in whom the people trust, has usually some position of responsibility among the officers. The profitable use of the funds is going on right under their eyes. The fact that withdrawal is so easy begets further confidence. So many families are represented in the membership that it becomes quite the fashion to belong to "La Caisse Populaire." Consequently, we find people seeking out the office of the

society who would never have entered the door of a regular bank, with its polished gratings and strange men behind the wickets. An illustration will help to make this clear.

In talking over the difficulties arising out of the hoarding tendency, Mr. Desjardins says: "The fact that hoarding has been so common explains in part the way in which funds often come pouring into the people's banks from all sorts of unexpected sources. For example, an old, plainly dressed woman came into the office one day and asked how much stock one person could hold in the bank. I told her that the present limit set by the last general meeting was one thousand dollars. She took out of her clothing a large roll of bills, and said that she would like to take shares for the entire amount. I asked her how much she had, and she replied that she was not sure. She had been adding to the roll for seventeen years, and thought that there must be close on one thousand dollars. I counted the money, carefully examining each note lest there should be some worthless ones in the hoard. They were all good, however, and amounted to nine hundred and some seventy odd dollars. When I asked her why she had never put her money in the bank, she answered: 'I do not like the banks. They are only for rich folks, and besides, they are run by strangers. But I know you men in La Caisse, and can trust you.'" Again, in a letter of April 4, 1910, Mr. Desjardins writes: "To-day I received a letter telling me of a bank started a month ago in a comparatively poor rural parish, St. Cajetan d'Armah, county of Bellechasse. In the one month it had accumulated funds to the amount of ten thousand dollars. I fancy it must be hoarded money in part, but genuine savings for the rest; as the young shantymen are just coming home with their winter's earnings. Is it not a splendid result?" Other illustrations might be given of the fact that the old habit of hoarding, which has played such a part in the history of French Canadian banking and currency, is breaking down readily before the advance of co-operative credit associations.

We come now to the evidence as to the promotion of saving. The first point which naturally occurs to us is that afforded

by the assets accumulated in the thirty-four banks now in operation. The statistics have been a little hard to get, but this table compiled by Mr. Desjardins, giving statistics for twenty-six of the leading societies down to April 1, 1910, will serve to illustrate the influence on saving, and at the same time show the use made of the funds as loans:

Name of Society.	Time in operation.	Amount paid in.	Amount of loans.
Name of Society.	Time in operation.	Amount paid in.	Amount of loans.
La Caisse Populaire de Levis	9 yrs. 7 mos.	$301,662 33	$536,224 92
" St. Joseph	8 yrs.	14,930 55	19,172 13
" St. Malo	7 yrs.	40,964 06	143,995 91
" St. Suveur	15 mos.	9,637 00	8,662 00
" St. Victor	12 mos.	7,247 10	10,272 50
" L'Ancienne Lorette	16 mos.	23,710 76	10,955 52
" St. Charles	13 mos.	24,586 10	13,689 34
" Maria	18 mos.	9,117 35	7,982 85
" Danville	9 mos.	3,881 71	5,195 00
" St. Maurice	8 mos.	54,255 41	25,394 12
" Montreal	20 mos.	1,583 57	1,867 03
" Quebec	23 mos.	18,413 62	22,272 70
" Rimouski	17 mos.	2,729 26	1,389 00
" St. Ulric	6 mos.	8,742 49	9,854 23
" Sayabec	9 mos.	1,709 66	2,363 00
" St. Ephrem	6 mos.	2,579 60	2,420 54
" St. Grégoire	18 mos.	3,073 50	2,300 00
" St. Théophile	7 mos.	7,718 43	4,370 47
" St. Gervais	1½ mos.	9,247 21	595 00
" St. Narcisse	9 mos.	11,830 18	6,308 99
" Black Lake	10 mos.	1,653 75	2,099 00
" Beauport	22 mos.	1,773 68	1,070 00
" Bonaventure	28 mos.	14,196 61	18,758 84
" Thedford Mines	7 mos.	12,012 39	10,140 16
" Enfant Jésus	6 mos.	2,337 62	2,077 18
" St. Cajetan	4 mos.	48,082 92	4,242 00
Totals		$637,676 86	$873,672 43

Mr. Desjardins estimates that complete statistics up to June, 1910, would show a membership of about 15,000, with a paid in capital of three-quarters of a million, and loans amounting

to fully a million dollars. This must be considered a remarkable development when we take into consideration the short periods for which most of the societies have been in operation, and also that the propaganda is the work of one man giving his services without a cent of remuneration.

The question which next arises is as to how much of this accumulation represents savings. Would most of it have been conserved in private hoards had there been no people's banks? or would much of it have found its way into the regular banks or savings banks? On the latter question there would seem to be a general concensus of opinion. The judgment of Mr. Desjardins, that but a very small percentage of the funds collected by the associations would ever have been available for credit through the other savings banks, seems hardly open to controversy. As to how much would have been saved up in hoards, there is much more room for difference of opinion. In respect to thrift, there is much difference between urban and rural populations, also between older and younger members of the community in both city and country. The farming population, like the peasantry of old France, is more careful in spending its earnings, and more given to hoarding than those who live in towns and cities. All but two or three of the societies cater almost exclusively to agricultural communities. This would lead to the conclusion that much of the funds represented by the assets of Les Caisses might have been saved anyway as private hoards.

But even in rural communities there is reason to believe that the banks are having an influence in promoting thrift. Most of the young men from the farms "go off to the shanties for the winter." For about five months of the year they have but little opportunity to spend money, except by a little gambling among themselves. On coming home in the spring, a considerable portion of their earnings is apt to be spent rather recklessly; so that Mr. Desjardins is probably right in his opinion that a large part of the ten thousand dollars accumulated the first month at St. Cajetan d'Armah represented "genuine savings." Besides, even in the country, there is a great deal in having a definite

plan for saving, such as is inculcated through the people's banks. The habit, once it has been started in a neighborhood, spreads by imitative rivalry, like any other fashion.

But it is when we come to an urban community like Levis that we most clearly see the effects of the society in promoting thrift. Out of a total population of 7,000, we have a membership of 1,000 in La Caisse. This means that the families of the town are pretty generally represented. As we look through the books of the bank, we see the strongest evidence of thrift. Most of the entries are for amounts of 10 cents, 25 cents, 50 cents, 75 cents, etc., a week, representing a regular portion of the weekly earnings. These contributions to the common fund come from all classes. About seventy farmers are represented, whose payments are more irregular and for larger amounts. There are business men who lend to the association the dignity of their prestige. Many heads of families from among the working classes manage to make a regular addition to "the nest egg they are laying up for a rainy day." But more important still, there are a great many young people whose earnings would have all been spent from week to week had they not become members of La Caisse. Among them are quite a number of working girls, whose savings amount to several thousands of dollars. There are over one hundred and fifty young unmarried men who have close on $15,000 to their credit on the books of the bank. One of them, who rather indifferently entered the association just because his friends were joining, has now $780 in shares.

This habit of saving is beginning to tell on the social life of the community. The French Canadians are naturally artistic in temperament, and passionately fond of finery, especially in dress. Shop girls, sewing girls, and factory girls may be plainly enough clad while at their work, but when they go out in the evening, though they usually appear in fairly good taste, they give one the impression of being dressed much beyond their means. They often stint themselves in other things, it is said, in order to have the latest styles in clothing. Mr. Desjardins notes a great many instances among both young men

and young women in which extravagance in dress has been very much modified through membership in the society. We have one case in particular of a large family of sewing girls who, within the past nine years, have laid aside over two thousand dollars out of their earnings. Up to the time they entered the society they had never saved a cent. They became interested in the scheme and began to lead a much more moderate social life. Most of their saving has resulted from a curtailment in expenditure for finery which was out of keeping with the pocket-book of a working girl. Then, too, the young men who have gotten into the habit of saving have in many cases shown shown changes of habits which are certainly for the better. The $15,000 representing the savings of the hundred and fifty young men in the Levis association would otherwise have been spent, for the most part, in wasteful consumption, and much of it, doubtlessly, in ways that would have been harmful as well. Moreover, there arises a self-respect in connection with economic independence which shows itself in the whole life of the community.

Each of the banks also runs a penny savings department for school children. Here we find the most striking results from very small savings. At Levis, for example, according to the annual report of November 30, 1909, the savings of the children amounted to $3,787.67. The parish of l'Ancienne Lorette reports $811.06 on hand in the children's department, as a result of ten months' operation; while the children of Thedford Mines have saved $501.27 in two months. At the time of this report, the thirty-two societies were reaching nearly three hundred schools within the province.

This brings us to the use made of these funds, and a consideration of the question as to whether enterprise is being stimulated or not. At the outset we must acknowledge that it is altogether too early in the history of the movement to accomplish a satisfactory discussion of this part of the problem. In the next chapter, under a treatment of the possible usefulness of these societies in America, we will touch upon the stimulation of enterprise in Europe and India. But such results have

been attained only through years of education, and through special study along economic and technical lines by the leaders of the communities. The Levis society is the only one which has as yet had an opportunity to accomplish what has over and over again been achieved in Europe. The future of the movement in Quebec depends upon her priests and other prominent citizens. These leaders are face to face with a great opportunity. Should they seize it and make the most of it, the agricultural and general industrial situation may be revolutionized within a decade. The example of Denmark shows what might be done under careful education and able leadership. There is the possibility that Quebec, instead of turning loose upon the rest of America throngs of "cheap" unwelcome immigrants, may become the home of an industrial democracy which shall recall her exiled children by the assurance of better times than they can find anywhere else. Her fields may blossom under scientific culture. Her forests may flourish so as to be a source of industry and wealth for generations of "habitants" yet unborn. Her wheels may turn on and on to the music of her exhaustless water-power.

But we must turn from what *might be* to a consideration of what *is*. A majority of the associations are finding a demand for their funds in local enterprise. Some two or three, of which the Levis society is one, have occasionally had a greater call for loans than they could meet. A reference to the table of loans on page 15 shows that the Levis membership have not been backward in taking advantage of its opportunities in the use of credit. Nor has the demand for loans been confined to any one class. Of the seventy farmers, about twenty freely make use of credit. Their loans, varying in amount from $25 to $500, have been applied in draining and otherwise improving their land, in buying machinery, in extending their equipment of buildings, and in securing a better grade of farm stock. The small business men frequently use credit to secure the advantage of cash discounts on their supplies of merchandise. There are, moreover, several instances in which members of the laboring class have become independent proprietors in a small way

through the use of the funds of the association. Take this illustration, which seems worthy of special notice:

On February 7, 1907, Mr. Desjardins gave this incident as part of his evidence before the Parliamentary Committee: "Last spring two young men, brothers, one an employee in a shoe factory, the other a carpenter, came to me and said: 'We are offered a great advantage. We are considering buying a house at very easy conditions. We hope one day or another to marry and settle down; we would like to live alongside of one another, and this house is divided into two lodgings that would suit us. The only difficulty in the whole situation is that we have not the $200 that the vendor asks us as a cash payment on the purchase price. So we come to you and ask if the society will be ready to loan us those $200. We have no real security to give, the house standing as security for the seller. We cannot offer anything but our good reputation, and perhaps our mother will come in and give her signature as well.' 'Well,' I said, 'I will submit the question to the board of credit; come to-morrow and I will let you know the answer.' The next day the question was submitted to the board and agreed to unanimously. I said to the young men, 'Here are the $200,' the conditions of reimbursement fixed being $20 a month, or ten months in all. The loan was made, the house was bought. The house is now paying for itself by the rent, and the $200 were reimbursed in less than eight months. The two young men were so completely pleased and so hopeful that they worked almost night and day to clear that off."

While in Levis last summer the writer enquired about these two young men. President Desjardins replied: "That is one of the best examples of the benefit resulting from our Caisse. They have had a good many loans since then; and have always been very punctual in their repayments. They are rapidly winning a place among the well-to-do citizens of our community." Then we went around to where the brothers, with two or three hired hands, were at work in their own little planing-mill, and heard from their own lips, in a mixture of French and English,

the story of their success. They gave La Caisse almost all the credit for their prosperity.

Besides such cases of greatly stimulated individual enterprise, we find as a result of the introduction of these societies a general improvement in business methods. Many families have adopted the plan of paying cash instead of running accounts. For example, the Reverend M. Ducharme writes that for years shop credit had been the curse of his parish. Some time after the establishment of "La Caisse Populaire de Contrecoeur" he proposed that the community adopt the "spot cash" basis of doing business. After some deliberation, and not a little opposition, the plan was agreed to by most of the members of the association. Those who needed assistance secured a loan from the society and paid their bills. Before long others followed suit, until the people of the entire parish were converted to the plan of living within their income, and paying cash. This in turn led to much greater care in expenditure, which has really raised the standard of living, and added greatly to the general prosperity of the community. Under the old method prices were higher, and, before they knew it, people were often so badly in debt as to be almost bankrupt.

The general looseness of business methods in the country districts of Quebec results in a good deal of usury. The real rates of interest are frequently disguised by some device or secret agreement between the borrower and lender. Mr. Desjardins gives the illustration of a country money-lender who had an old calèche which he had sold at least twenty-five times for thirty dollars each time, as a condition of granting a loan. The nominal rate on these loans was six per cent. But to this must be added the price of the calèche, which had never left the premises of the usurer.[6]

Another common occurrence, which in the end amounts to the same thing as usury, is the buying of implements and machinery on the "easy payment plan." This is a common plague, inflicted through agents, upon industrial communities. Organs, pianos, sewing machines, books, pictures, etc., are

[6]Report of the Special Committee on Bill No. 2, 1907, page 14.

pressed upon wage-earners on the easy payment plan of so much per week or month. But the method of payment which sounds so "easy" as the agent glibly repeats his well-learned rhyme, is difficult enough when we consider the prices paid. To take one illustration: A sewing girl in Levis was in need of a machine. An agent called and proposed to sell her one to be paid for in small weekly instalments. She was a member of La Caisse, and it occurred to her to find out the cash price of the machine at a regular dealer's. She found it to be twenty dollars less than she would have to pay on the easy payment plan. So she put in her application for a loan from her society. She got her machine, and by the end of nine months had repaid her indebtedness to the association. The interest on the loan cost her $2.35, which left a clear saving of $17.65. Less extreme instances might be given of the savings made by farmers, who borrowed from the society and paid cash for implements and machinery, instead of buying them on the instalment plan from the local agent. But we simply wish to illustrate the fact that economic waste of the usury type is being eliminated wherever co-operative credit is established. The old-time moneylender, who preyed upon all cases of extreme need and business ignorance, has disappeared from Levis; and the indications are that the experience of Europe in this respect will repeat itself throughout the province. *The habit of counting the cost* is a most valuable result of the business education arising from these societies.

Such institutions are a powerful factor in inculcating a sense of the social solidarity and economic interdependence which pervades modern society. Even the pennies of the infants in the kindergarten play their part in promoting the general welfare of the community. Nowhere can we find more strongly emphasized the paramount importance of business integrity to the welfare of our social fabric. Each society is a little world in itself, from which selfish aggrandizement must be rigorously excluded in the interest of all the members. Speculative investments and foolish expenditures must also be guarded against if the association is to avoid a financial crisis. Constant

vigilance is the price of safety. Social "surveillance" must be exercised over the activity of every member of the group, not with the purpose of suppressing any legitimate individual initiative, but in order to encourage it, and make its inspiration a force in the life of the society. Long experience has dictated to these little social groups certain conditions of success which might be advantageously studied by the modern state.

To recapitulate briefly the argument of this chapter: The province of Quebec has abundant natural resources, and a population peculiarly adapted by nature to develop them. These resources are being depelted in the most wasteful fashion. All industry is in a backward condition. This is mainly due, we believe, to the policy of educational and social isolation pursued by the Catholic clergy. Into this general inertia a disturbing element has entered through a party bent on educational and industrial progress. The co-operative credit movement appears at an opportune time, calling attention to the work of the church in Europe, and the need of general and technical education at home. The result is the establishment of a system of technical schools. Locally, individual societies are overcoming hoarding, stimulating enterprise, modifying personal character through the inculcation of habits of thrift, industry, and a sense of social solidarity; and as a corollary phenomenon, the usurer and "easy payment" men are forced to seek other fields of operation.

CHAPTER IV.

THE POSSIBILITIES OF CO-OPERATIVE CREDIT IN AMERICA.

In entering upon a discussion of this problem, the writer is very well aware of the difficulty of his task, and of the impossibility of reaching very definite conclusions. In fact, the person who would start into a consideration of this question with the expectation of arriving at general rules and universal judgments applicable to America, would show at the outset his imperfect grasp, both of the co-operative movement and of the complexity of American conditions. The most he can hope for is to point out "possibilities." On the basis of the evidence presented by the whole development of the movement, he may conclude that there are still many situations in America into which these associations might be advantageously introduced. Or, on the other hand, he may decide that the functions performed by co-operative banks abroad are for the most part taken care of in America by other institutions; and that co-operative credit, therefore, can never attain a very extended field of activity. Let us examine the general movement in some of its more typical aspects, and proceed to enquire in how far the American situation would seem to warrant an extension of such institutions in Canada and the United States.

That these associations have achieved a large measure of success, no one at all acquainted with the facts could possibly deny. Moreover, it is a success which has been attained under the most diverse social and economic conditions. At the one extreme, among the poverty-stricken millions of India, there have been organized within the short period of the past five years, over 2000 societies, with 185,000 members, and a working capital of two and a half million dollars. A correspondent to the London Times of December, 1909, writing of the improved facilities for credit, and the consequent increasing prosperity, says: "In many villages the members already find their

wants supplied wholly by the society, and the face of the money-lender is not seen. Old debts are paid off and lands redeemed from mortgage. Now that they have recovered their land, members are purchasing more cattle and sowing crops of a higher class. Litigation is diminishing, as disputes between the members are decided by the common sense of the society. Thus the movement promises not only to supply the small peasant proprietor with capital on easy terms, but to foster the growth of thrift, good will and co-operation in many directions; and there seems reasonable hope that it will continue to spread rapidly among the millions of the Indian peasantry, and confer on them benefits as marvellous as those it has bestowed on the indebted landowners and farmers of several European countries."[1] These societies are the humble Raiffeisen type of village bank with fifty to one hundred members each.

At the other extreme, we have the system of strong, prosperous People's Banks which has spread over Europe catering to the well-to-do commercial and industrial classes of the towns and cities. These institutions are, in many instances, doing a much more up-to-date banking business than the regular banks of the country. Between these extremes, we find societies operating in all sorts of intermediate combinations of circumstances, and in every case adapting themselves to the needs of the situation.

A thing that strikes one in the study of the whole movement is that in those countries where co-operative banking has made most progress, its greatest achievement has been the popularizing of banking methods, and the consequent socializing of capital through a wider use of credit. Professor Shortt, who has made a fairly careful study of banking conditions in Europe, says that, outside of Great Britain, "the note issue is the great feature. The deposit business is comparatively small; the discount business is not on the same basis as ours; but the loaning of capital in the shape of bank notes is a feature." The people do their business in actual currency; and when they

[1]From a *Times* clipping sent by Earl Grey, Governor-General of Canada.

get a little surplus, they hoard it up rather than place it on deposit in the banks. Consequently, it is chiefly the business men of the middle classes who have dealings with the banks.[2] When poor people are compelled to borrow, they seek the nearest money-lender and submit to his terms. These transactions are usually kept as much in the dark as possible, because it is considered a disgrace to get into the clutches of the usurer. This secrecy prevents the formation of public opinion on the subject such as might in time mitigate the evil.[3] Even where the small borrower could offer sufficient security to obtain a loan from a regular bank, he is forced to pay rates of interest which the establishment of co-operative credit associations has proven to be unnecessarily high.[4]

That this situation has been changed wherever co-operative credit associations have gained a foothold, is the testimony of all authorities. True, there does not spring up at once the system of checks and drafts which plays such an enormous rôle in American business; but the members begin to place their savings on deposit, various forms of discounts come into use, the usurer disappears from the scene, and the use of credit arises from the category of things to be ashamed of.[5]

Then, too, the making of supervised credit available on such easy terms has everywhere in Europe been a great stimulus to the use of capital by the poorer classes in enterprises which would otherwise never have suggested themselves. The funds are at the command of the man who knows how to use them profitably. One secures a loan and puts in a drain reclaiming a waste piece of land. Another invests in artificial manure, supplying elements in which his soil is deficient. His neighbor begins to look about for a profitable investment, and so there is started a movement in which the spirit of enterprise becomes contagious, infecting the whole community.

[2]Professor Shortt, Report of Committee on Bill No. 2, 1907, page 39.

[3]E. A. Pratt, op. cit., 141-153.

[4]Edward T. Peters, Co-operative Credit Associations, U.S. Department of Agriculture, Division of Statistics, Miscellaneous Series, Report No. 3, page 15.

[5]E. A. Pratt, op. cit., 141-153.

In this connection it must be noted that, in those European countries where the banking institutions are most democratic, it is hardest to get co-operative credit started. In England and Scotland, we find distributive co-operation very strongly developed, and also considerable progress in productive co-operation. But in spite of the fact that such an able apostle of co-operative banking as Mr. Henry W. Wolff has been expounding his principles to his fellow-countrymen for almost twenty years, the movement has as yet achieved but an insignificant development in Great Britain* In Ireland, to be sure, under the enthusiastic ministrations of Sir Horace Plunkett and the Irish Agricultural Organization Society, a vigorous system of associations is being organized. But there we have conditions very similar to those under which the Raiffeisen societies have achieved such success among the peasantry of Europe.[6]

The slow development of co-operative credit in Great Britain is due to a variety of causes. In the first place, we may account for it by the natural conservatism of the Britisher, and his inherent distrust of "new-fangled" ideas. He has a sturdy self-reliance, which, however admirable in itself, makes the average Englishman appear rather unsociable. He is "a poor mixer," to use one of our expressive slang phrases, and rather unprogressive, where progress depends, as it is coming more and more to depend upon social co-operation and interdependence. The mutual criticism, the supervision of the use of loans, and the knowledge of each other's affairs upon which co-operative credit associations rely so much, is very distasteful to most Englishmen. Moreover, we find that agricultural conditions differ widely from those prevailing on the continent. There are very few of the small independent farming peasantry among whom the Raiffeisen societies have accomplished so much in France, Italy and parts of Germany. The land in England is

*_Note_: In August, 1910, Earl Carrington, President of the Board of Agriculture, announced the intention of the British Government to assist in establishing a system of rural credit banks.

[6]On England and Ireland, see C. R. Fay, op. cit., 74-75.

almost entirely in the hands of large estate holders, who lease it in improved farms to their tenants. These tenants are better off on the average than the continental freeholders. They have at their command a more highly developed system of regular bank credit, and experience less difficulty in taking advantage of it.

But all this does not prove that there is no field for co-operative credit in Great Britain. Mr. E. A. Pratt goes into this matter fully in his book, "The Organization of Agriculture." On the basis of a review of the development of agricultural organization in Europe and America, he arrives at the conclusion that the establishment of better credit facilities is a fundamental need of the British farmer. He says: "Another factor in the situation is the necessity that agricultural credit should go hand in hand with agricultural organization. The necessity for this dual arrangement has been proved over and over again on the continent of Europe, and though the financial position of the British agriculturists in general may be more favorable than that of the peasantry in various other countries where an easy agricultural credit has been established years ago, the extreme desirability of such credit being available in Britain also is beyond any possible doubt."[7] Again: "But experience has already shown that no really effective scheme of agricultural organization on a widespread basis can be carried out even in Britain unless supplemented by some practical system of co-operative agricultural credit banks, arranged on so comprehensive a scale as to meet the varying wants of all our agricultural classes."[8] Finally, he concludes: "Whether the British farmer acts individually or collectively, the financial question calls, indeed, for serious consideration. It might even be argued that until the financial problems which arise have been satisfactorily disposed of, no great progress can be made.[9]

Again, take the Kingdom of Denmark. This small agricultural country has become the veritable paradise of co-operation. Within the past forty years the movement has spread until, at

[7]E. A. Pratt, op. cit., 310-311.
[8]Ibid., 375. [9]Ibid., 377.

the close of 1906, two hundred thousand, or over forty per cent., of its five hundred thousand families were members of co-operative societies. The whole agricultural industry has been practically revolutionized through these associations, and the general standard of well-being immensely improved.[10]. But singular as it may seem, co-operative banking has gained no foothold in Denmark. Mr. Fay, in commenting on this fact, attributes it to the democratic level of the ordinary banks, together with the fact that other forms of co-operation have made the farmers so prosperous as to be in little need of credit; and hence, when they do require it, they find on difficulty in satisfying their need through the regular banking institutions.[11] The experience of Denmark, then, does not form for any other country, under existing conditions, an argument against the adoption of co-operative credit. It simply means that, in Denmark, the organization of agriculture has been carried to such a degree of perfection through other co-operative agencies that credit unions are unnecessary.

As we study the movement in India, and in the different countries of Europe, the evidence points almost invariably to the conclusion that co-operative credit has been one of the most effective agencies in promoting thrift, enterprise and general prosperity. The People's Banks have everywhere been a great boon to the industrial and mercantile classes of the cities. Impoverished and inert rural communities have awakened into new life, as if by magic, where the Raiffeisen societies have gained a foothold. Buildings have been renovated, live-stock improved, new machinery purchased, soil fertility restored by the use of fertilizers, and the people themselves transformed, socially, morally and intellectually, by these associations.

Let us now turn from this evidence of the success of co-operative credit abroad to a further consideration of American conditions. Let us enquire what our credit facilities are and how they are utilized by the different elements of our popula-

[10]C. R. Fay, op. cit., Chapter on Denmark. Report on Bill oN. 2, 1907, pages 93-95.

[11]C. R. Fay, op. cit., 75.

tion. Let us also ask if there are not some fundamental gaps in our social and economic structure which might be filled in by more democratic credit facilities than we now possess.

At once we are struck by a decided difference between our general situation and that of Europe. But we are almost equally surprised by the contrast presented between different sections of the United States and Canada. In the first place, we find that our regular banking institutions are much more commonly used than they are anywhere in Europe. Our working classes, small tradesmen and prosperous farmers usually keep a bank account; and, with the exception of our French sections, in other foreign sections and in backward rural districts, there is far less hoarding of notes and coin than we find in Europe.

Moreover, at the time when the rural need is greatest, especially in our western states and provinces, the regular banking institutions perform splendid service in supplying the farmer with the credit necessary for the harvesting and marketing of his crops. We find the evidence of this in the periodic movement of money from New York to the South and West which begins in August of each year;[12] and in the much larger demands upon the western branches of the Canadian banks, beginning usually about the first of September. But even in this rural periodic demand we find much that reminds us of the European conditions in the great demand for currency. The farmer gets credit on the security of his crops, but he demands those loans in actual cash. When his crops are sold he also demands currency, not bank credit, in payment.[13]

The writer was brought up on a farm in the centre of the western Ontario peninsula, in one of the most progressive and prosperous communities of small farmers he has come across in either America or Europe. In the market towns of that section the banks were forced to provide for a tremendous demand for currency during the last four months of the year. In "hauling out his grain" the farmer was paid by a check for

[12]Ely, Outlines of Economics, 259.
[13]Ely, op. cit., 259.

each load he took to market. But very seldom were these checks deposited at once in one of the local banks. Usually they accumulated in the family pocketbook in a bureau drawer for a week or two, and were then presented at the bank on which they were drawn for cash payment. As the farmer paid his store bills, blacksmith's accounts, instalmnets on machinery to the local implement agent, temporary loans which he had made, etc., the currency gradually found its way back into the bank. After these various demands had been met, any balance remaining was usually, though not invariably, placed on deposit, and drawn on in small amounts of cash as the farmer needed the money.

To one accustomed from childhood to such conditions, in a country so largely devoted to agriculture, and who also knows the joy of "pay day" among the industrial classes of our cities, when each man receives his check and hastens to have it converted into the "long green," it has always seemed that the differences between the banking habits of the masses in this country and in Europe have been somewhat exaggerated. That there are differences, we have admitted at the outset. But we are far from convinced that the contrast is so great as the tremendous volume of deposit currency passing through American clearing houses would indicate. Reliable statistics are not available, but it is undoubtedly true that large quantities of these credit instruments represent stock exchange transactions of a purely speculative character. Then, too, making all due allowance for the wide divergence of opinion as to actual conditions, it is certain that a very large proportion of the national income of the United States goes to a very small proportion of the citizens. If we subtract the business transactions of a very small percentage of our total population from the mass of the business done, things would look very differently; and we would have less reason to glory in our vaunted American superiority.*

**Note*: Since the above was written, there has come to hand the report of the National Monetary Commission on "The Use of Credit Instruments in Payments in the United States," compiled by Professor Kinley, of the University of Illinois. While admitting the very limited use of checks by the laboring classes, it is estimated that 50 or 60 per

On the other hand, it must be admitted that the average American workman and small farmer is better acquainted with business methods than his brother in Europe. If he does save, the readier transfer of property, and the better credit facilities, make it much easier for him to acquire a home of his own. The abundance of rich free land in the Canadian Northwest is still attracting the most enterprising from among the working classes by the opportunities it affords to become independent property owners. Insurance companies, with their various forms of endowment and other policies, are stimulating and compelling thrift. The postal savings bank of Canada, and the corporate savings banks of the Uinted States, are collecting every year large amounts of money among the wage earners.

But in spite of all this, we are far from satisfied that there is no field in America for some form of co-operative credit associations. The great variety of industrial and other securities, it has been suggested, present the opportunity whereby every citizen may have his share in the profits of our industries, and his voice in their management. Theoretically this is true. In actual practice, however, what an ironical caricature of the reality such a suggestion contains! This very system of securities with its plan of "stock voting" has served to concentrate the industrial, commercial, financial, and political power of America in the hands of a more or less selfish plutocracy in a way which is without a parallel in the history of the world. Moreover, it is pretty largely through the accumulations of the small saver that these captains of industry and manipulators of

cent. of the retail trade, and 90 per cent. of the wholesale business, or an average of 80 to 85 per cent. of the total business of the country, is done by check.

This is not the place to attempt an examination of the findings of the commission. There is brought to light a rapid expansion of the use of credit instruments. Business leaders everywhere use checks in their dealings with each other, and with the masses. Wages are paid by check, and in the same way the farmer is paid for the produce of agriculture. The cashing of these checks swells the proportion of retail business settled by credit instruments. But the enormous currency requirements of the United States seem to point to business habits in the masses which have hardly received sufficient emphasis from the commission.

finance get their power. The branch bank system of Canada, and the national and savings bank sqstems of the United States, with the secondary and central reserve cities, esrve to concentrate capital just where the comparatively small number of financial leaders can most effectually use it in their own interests. With it they manipulate the stock market in such a way as to render the average securities unsafe from the standpoint of the small investor. They use it to form monopolies which control prices, import cheap foreign workmen, and break the back of American organized labor. Through their contributions to political campaign funds, through their control of political bosses who deal in voters in bulk and in members by the piece, and through their thoroughly organized system of lobbying, they manipulate the small savers' earnings to make and unmake laws, to regulate the tariff, to fight legislation favorable to labor, to suppress public ownership in every form, to secure franchises which will enable them to further mulct the public, and to monopolize the natural resources of the country. A timely illustration of this last point is seen in the buying up of the water-power which is coming to be such an important national asset. In these, and many other ways, our present system of saving is made subsidiary to forces which are not working for the general social welfare, as any unbiassed student of the situation must admit.

Against this whole system of concentrated financial power, with all that follows in its train, co-operative credit associations work most effectively by stimulating local enterprise, and a local demand for funds. In concluding his splendid review of the effect of the co-operative banking movement in the five countries where it was then chiefly operative, Mr. T. Peters, writing in 1892, says:

"That there should, on the whole, be a large overflow of capital from one district, one region, or even one country to another is no doubt inevitable, and as far as it occurs under normal conditions there is nothing in it to deprecate; but it *is* a thing to be deprecated when capital, sorely wanted for the supply of local needs, is sent half the world's circumference

away in search of an investment merely for the want of a channel of communication between its owners and their near neighbors. Such a channel is, to a great extent, supplied by institutions like the people's banks of Europe and the building and loan associations of the United States; and the more these institutions are perfected, adapted to varying wants, and disseminated among the people, the more will the present top-heavy fabric of modern credit be broadened in its foundation and narrowed in its overhanging superstructure. In fact, few things could do so much to guard the business world against the financial crises, which so frequently paralyze its industries, as the general existence of institutions which tend to retain within the neighborhood of its origin all the capital for which there is a potential local demand, and thus keep it as fully as possible under the continued oversight of its owners."[14]

Moreover, from the standpoint of investment, the regular endowment policy, as well as most other forms of old age and accident insurance provided by the regular companies, is not very profitable for the working man. Too large a percentage of what he must pay is spent for advertising, and for the payment of agents and high-salaried officials. Dr. Henderson says: "The colossal sums poured annually from slender incomes into the coffers of the 'industrial insurance' companies are witness of the spirit of sacrifice which is inspired by the sentiment of repugnance to burial at public expense."[15] Yes, but these same colossal sums also bear witness of what might be done in the way of stimulating saving, even among the poorest, by an efficient system of co-operative credit.

The experience which America has already had with co-operative credit is amply sufficient to justify its extension. I refer not to the Quebec associations, but to the Building and Loan associations of the United States and Canada. The first of these associations of which we have any record was established at Frankford, a suburb of Philadelphia, January 3, 1831, and was known as the Oxford Provident Building Association.

[14]E. T. Peters, op. cit., 116-117.

[15]American Journal of Sociology, xiv, 464.

But the real commencement dates from the decade 1840 to 1850; so that this movement was well under way when Schulze organized his first loan society at Delitzsch-Eilenberg in 1850.[16] These societies have accomplished more in the United States than all other forms of co-operation put together. According to the last annual report of the United States League of Local Building and Loan Associations, for the year 1908-9, there were 5,599 affiliated associations, with a membership of 1,920,257, and total assets amounting to $784,175,753. Besides the Local Associations, there are thirty-five National Societies, with $14,500,000 assets.

In these societies, as in the European and Quebec associations, the objects are the promotion of thrift and the granting of credit on reasonable terms to those who can use it. They differ in the fact that the granting of credit is restricted to the purpose of building and improving homes. Savings are forced, as in the town banks of Europe, by regular payments on large shares of stock. These payments, together with the "premium" and and interest on loans, constitute the working funds of the society from which members receive advances.

Suppose a man has a lot and wishes a loan of $1000 to build a house. He joins the association and subscribes for one share of stock, which is usually listed at $200, and among other members bids for a loan of $1000. The member bidding the highest premium gets the loan. The "premium" is defined as the margin between the sum which is actually turned over to the borrower and the amount which he bids.[17] In the report of 1893 there were found to be sixty-eight different premium plans existing in the United States.[18] When the member secures his loan, he must subscribe stock sufficient to cover its face value. He enters into a contract to pay for his stock, plus the interest on the loan he has received, in a stated number of regular instalments. In computing the instalments, allowance is made for the dividends falling annually to his shares. By turning

[16]Ninth Annual Report of the Commissioner of Labor, 1893, p. 11.
[17]Adams and Sumner, Labor Problems, 392.
[18]Ibid., 388.

over the paid up shares, he receives a clear deed of his property, which has in the meantime been pledged as security for the loan.

Thus, in a narrower sphere, the Building and Loan Associations, combining the savings and credit features with the instalment plan of payment, bear a marked similarity to the co-operative credit associations of Europe. Their great weakness, as compared with those societies, lies in the fact that they have failed utterly to reach the great masses of laborers, who need help the worst.[19] They have enabled many workmen to obtain homes, it is true, but have been of most benefit to the salaried members of the middle classes and small business and professional men.[20] Besides, the prevailing opinion here in Michigan, at least, seems to be that the scheme is more attractive from the point of view of the investor seeking profit-bearing securities than from that of the person seeking credit on reasonable terms. This would seem to bear out the statement of Professor Hadley, who says: "The chief commercial profit of such societies goes to the outside investors who do not intend to borrow."[21] If we take this into consideration, together with the fact that a man has one vote for each of his paid up shares, we have the fundamental weakness of these societies from the standpoint of co-operative credit. The members who never intend to borrow, with their paid up shares, are able to control the policy of the association. They exercise their power in their own interest, rather than in that of the non-capitalist laboring class. So the policy tends to become that of a small capitalist investment association much more than that of a workingman's credit union.

This, to whatever extent it is true, is a fatal weakness in Building and Loan Associations as organizations calculated to extend the use of credit among the laboring classes. But, nevertheless, the success and expansion of these societies in

[19]Ninth Annual Report, etc., 1893, 321-23.

[20]Adams and Sumner, op. cit., 393.

[21]Hadley, Economics, 398, quoted by Adams and Sumner, op. cit., 393.

America points to a deep-seated need among the industrial classes, which we believe could be met by the co-operative credit association, with its smaller shares, easier terms, and more economical and democratic management.

Now, let us look again at our American agricultural situation, and ask if there is not here a need which properly organized co-operative credit might meet better than anything which exists at present. We have already referred to the bank credit supplied on the security of the crops in order to meet the expense of harvesting, threshing, and marketing the grain. This credit is mainly required by the prosperous agriculturists of the South and West. Besides, on good real estate, mortgage credit may be had on fairly reasonable terms all over America. Credit for farm implements and machinery is usually supplied, at a rather high cost, by the local implement agent. We have already noticed, in the third chapter, the advantage of co-operative credit in paying for farm machinery. The ordinary stores of the country towns bear the burden of "shop credit" for the farming community, at considerable inconvenience to themselves and expense to those who get their goods on account. We have also seen the revolution effected by a co-operative association in bringing a whole community round to a cash basis of shopping.

But nowhere in America have we adequate credit facilities for small improvements, which, however necessary and profitable in the long run, do not offer immediate returns upon the investment. Among the necessary outlays in every progressive farming community are improvements in stock, repairing and extension of buildings and mechanical equipment, and, above all, the maintenance of the fertility of the soil. This last is of prime importance, and it is a factor which has little more than begun to enter into our American system of agriculture. American agriculture started on the Atlantic seaboard, and has gradually extended westward. The policy has been to get all that was possible out of the soil without restoring its fertility; after which the adventurous and progressive moved out West

where there were illimitable fields of virgin soil awaiting their plunder. The shiftless and poverty-stricken were left in possession of the old worn-out homesteads. But even an America could not stand this pace forever. Already the western plains of the United States are occupied and throbbing with life, while those of Canada are rapidly following suit. Large districts in the eastern provinces of Canada and in the Atlantic states are already sounding a warning note of possible national bankruptcy.

In a very suggestive paper on the "Conservation and Preservation of Soil Fertility," Mr. Cyril G. Hopkins, chief of Agronomy and Chemistry in the University of Illinois Agricultural Experiment Station, writes: "Within a hundred miles of the spot where the first permanent English settlement was made in our country one can to-day buy hundreds of thousands of acres of arable land for less than ten dollars an acre,—land which was once valued at fifty dollars an acre, and would now be worth more than one hundred dollars an acre if its fertility had been maintained. This statement does not include any reference to lands that have seriously suffered from soil erosion, but only to the great areas of nearly level or gently undulating farm lands whose productive power has been almost destroyed by a hundred years or more of common cultivation by American farmers." . . . . "The greatest problem of the United States," he says, ... "is to bring about the adoption of systems of farming that will maintain or increase the productive power of American soils."[22]

This disastrous exhaustion of the soil, under present methods of farming, is creeping slowly but surely westward. There is but one remedy: the supplementing of farm manure by mixing with it the necessary elements of soil fertility as contained in artificial fertilizers. Professor Hopkins goes into the problem and shows how the natural richness of the soil may profitably be restored and maintained, and even increased beyond its virgin fertility.

But this process of soil restoration, as well as the improve-

[22]Annals of the American Academy, xxxiii, 631.

ment of live stock and mechanical appliances, necessitates the expenditure of capital; and especially for the man on a run-down farm this capital must be obtained on credit of some kind. The returns on such an investment are sure, but they are only slowly and gradually realized. It is a form of investment which the ordinary banker does not care to handle, and indeed cannot make with safety. The amounts required each year are not large enough to be profitably obtained on mortgage credit. Besides, under either of these forms of credit the lender's interest is paramount in making the loans and in fixing the terms of repayment.

Just here, European co-operative credit comes in and identifies the interest of the borrower with the lender. It makes the loans in such amounts, and at such times, as are most profitable to the farmer, and arranges the repayment on such a plan as will be least burdensome to the borrower. The aim is to make the investment repay the loan out of its own natural increase. For the holders of large estates, we have co-operative mortgage credit supplied on a large scale by institutions on the order of the Prussian Landschaften.[23] Then, in various European countries, are organized societies dealing in credit on mortgages for smaller land owners. Such are the Bavarian society and similar associations, some of which are independent, and others subsidized by the state.[24] But by far the most useful to the small landholder are the various co-operative banks. Writers who have made a personal study of the workings of these societies in Europe are unanimous in their enthusiasm for the good results they have accomplished. In many districts the whole agricultural situation has been revolutionized. Not only have loans been supplied in such amounts and on such terms as are in the best interests of the small farmer, but the leaders in every community have been stimulated to a study of scientific methods of agriculture so as to lead to the most profitable use of the loans granted. Under the system of loan supervision

[23]Henry W. Wolff, op. cit., 225 et seq.

[24]Ibid., 202.

the peasant farmers have vied with each other in getting results.[25]

Now, if our run-down and half-dead eastern provinces of Canada, and the impoverished agricultural areas of the Atlantic states, could come under the influence of such a movement as that, there is every reason to believe that similar results could be achieved. The question is, could such a movement be started with reasonable prospects of success in these districts? The answer to this question necessitates a brief examination of the conditions and forces which have been responsible for the success of the European movemnet, and an inquiry as to how far they could be relied upon in America.

In the first place, it has been maintained that where co-operative banking has flourished in Europe, we find a marked uniformity of population, and a stability of occupation and residence which are almost entirely wanting in America; and, since successful co-operative credit depends so much on mutual knowledge of each other's character and financial standing, this instability is said to form an insurmountable barrier to the extended usefulness of these associations in the United States and Canada. The fixity of population is undoubtedly a great advantage in the formation and operation of co-operative societies in Europe. This stability could not be found to such an extent in America; and especially is this true of the newer sections. But as Mr. Peters, in his consideration of this difficulty, concludes: "There is, however, a vast field in our own country in which a sufficiently large part of the population has all the fixity necessary for co-operative purposes."[26] We think we might go farther even than this, and say, that with a careful selection of members, and something of the Building and Loan Association plan of securing advances, there is no part of America to which some form of co-operative credit could not be adapted. It might not be an exact repetition of any type of

[25]H. W. Wolff, op. cit., 375 et seq.; Co-operative Credit Banks, 47-8. E. A. Pratt, op. cit., 123 and 310. E. T. Peters, op. cit., 15. See also various papers and resolutions of the International Congress at Paris, 1900.

[26]E. T. Peters, op. cit., 113.

society existing at present; but the type is not the important consideration. The great thing is to secure some plan to encourage saving, and the democratic use of the accumulated funds in promoting local enterprise.

For eastern Ontario, Quebec, the Maritime Provinces, and a large part of the eastern states, with their stable, slow-going populations, the type of society established by Mr. Desjardins would probably prove admirably adapted. For the more busy progressive regions of the west, we believe another type would have to the worked out. The Quebec type might do for many country regions. But in other rural communities, and in the cities and towns, societies would have to be run on a scale large enough to afford adequately paid management and help, somewhat after the plan of the Schulze-Delitzsch banks of Europe. In the organization and management of co-operative credit for the busier communities, the Building and Loan Associations afford valuable suggestions.

Then comes the question of government aid. In the majority of European countries, as we have seen, government assistance has been a feature in the development of the movement. Little wonder, for example, that the membership of the "Caisses Regionales" in France increases rapidly! From their state supplied funds, the affiliated societies are able to make loans at from one to four per cent. interest. This is probably the most extreme case; but in many others the state bounty has been a big factor in swelling the yearly transactions into top-heavy proportions, as compared with the small effort at self-help put forth by the societies. On the other hand, we have the development of co-operative savings in Italy, where the associations not only receive no state aid, but contribute their full share of taxes for the support of the government.

Mr. Desjardins is strongly opposed to any form of state or other philanthropic pampering. He holds that the only secure basis is self-reliance and individual thrift. Considerable evidence might be adduced from European experience in support of this position, which has the approval of the eminent special-

ist, Henry W. Wolff. On the basis of the widest study of co-operative savings which has probably yet been made by any authority, he concludes that any help given should be temporary, that local help is better than central help, and that state help is never desirable.[27]

Besides, there is a greater margin for savings among the working classes in America than among those of any other country. The extravagance of our working classes is notorious. If co-operative credit has been able to make such progress independently of state aid in a country like Italy, we may safely dismiss any such proposition as the necessity of government assistance in Canada and the United States.

But there is a way in which the state can assist co-operative credit, which experience would indicate to be almost necessary to its progress and success. That is, by passing legislation recognizing such societies, placing them upon a legal basis, and setting forth such general principles as have been expedient in securing safety and a measure of uniformity. In his study of co-operative credit made in 1892, Mr. Peters found that the multiplication and prosperity of these associations was to a large extent dependent upon the existence of appropriate laws. He refers especially to Italy, where co-operative credit associations had been in existence for eighteen years before they received legal recognition by the code of 1882. Up to that time there were but 171 societies in existence. Under a recognized legal status the number of associations had increased by 1889 to 692.[28]

In Canada the Province of Quebec has led the way with the Quebec Syndicates Act of 1906; and a hard fight is being made for Dominion legislation. In the United States, Massachusetts, which has proverbially been the social and intellectual leader of the union, has given the weight of its prestige to the movement

[27]H. W. Wolff, Co-operative Banking, 298, cf. Peoples' Banks, 20, 21, 26, etc.

[28]E. T. Peters, op. cit., 113.

by the act of 1909. Its influence is not likely to be lost upon the other states; so that the future of co-operative credit is beginning to look hopeful in so far as the necessary legal status is concerned.

Another important factor in the European movement has been the encouragement given by religious denominations, and especially by the Roman Catholic Church. In intellectual leadership, as well as in the recognition of her infallibility in matters spiritual, this wonderful organization is surely losing ground on the continent of Europe. It would seem as if, instinctively feeling this, she were beginning to reassert her perennial vitality through a determination to excel her adversaries in the leadership in the practical affairs which form the basis for all that is higher in life. Among other things she has been quick to recognize the value of co-operative credit.

In Belgium, for instance, the great foe of the church is socialism. To offset the socialistic tendency, the priests have been compelled to become technical students and leaders in social reform. They constitute the practical leaders of their parishes, and in this way they have been able to stem the tide of socialism in all but the large cities. They are everywhere found leading in agricultural associations and in co-operative societies; and to their assistance is certainly due much of the success which has been attained.[29] In Italy, too, in 1894, out of 904 banks then in existence, 779 had been organized by priests.[30] We might give numerous other illustrations of the influence of the clergy in European movement, but these are sufficient for our purpose.

In America, the Province of Quebec presents the sole example of a uniform population under the dominance of the Catholic church. A reference to the list of associations above will show at a glance that in the mtater of co-operative leadership the French clergy in Canada are rising to the occasion and emulating their brother clergymen in Europe. If the movement continues to bear out its present promise of success, we

[29]E. A. Pratt, op. cit., 93-102.
[30]Ibid., 119.

see no reason why the Catholic clergy all over America should not assist in organizing societies in their parishes.

As for the Protestant clergy of America, little can be expected in the way of practical social leadership outside of their general support of all good works. Only a very few of the theological schools are thus far giving their men any adequate training for social or intellectual leadership. It is to be hoped that the time will come when the church will in some way readjust herself to changed social and intellectual conditions. This ought to come through the theological schools. At present the overwhelming majority of these schools are entirely out of touch with the world of truth as modern scientific scholarship counts truth. Hence, the clergy cannot command intellectual respect. Nor are they given any basis on which to grapple with the practical problems that confront modern society. When the present theological studies shall have found their perspective in the general religious evolution of the race, and when two-thirds of the time now devoted to mental gymnastics in the culture of one short epoch of the past shall have come to be devoted to the problems of the living present, we may expect to hear from the church to-day the voice of authority as the prophets spoke of old. Their bible was the society in which they lived. Their "voice of Javeh" was the crying social and political need of the day. Using the language of their time, they gave expression to their message; and that old message has been reiterated ever since. When social and individual psychology shall have supplanted dogma, when the social sciences shall be taught instead of apologetics, this parrot mimicry will cease and the voice of prophecy will be heard again. Until then, secular leaders who are wrestling with the practical problems which confront our society must continue to lament the inefficiency of the church leaders.

But co-operation, if it is going to succeed, must have leadership. If the history of the movement proves anything, it certainly demonstrates the high value of capable, enthusiastic individual leaders.[31] We have seen the movement at its inception

[31] Cf. E. T. Peters, op. cit., 114.

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championed by Schulze and Raiffeisen, men of great ability and recognized social and political standing. We have also had occasion to refer to the leadership of the Italian movement by Luigi Luzzatti. His enthusiastic support of the movement, and his genius in adapting the institution to Italian conditions, have given his name a place in the history of co-operative credit almost on a par with those of Schulze and Raiffeisen. He was a man of splendid ability, and subsequently became Italian Minister of Finance. Among other great leaders we might mention Herr Schenk in Germany, Dr. Ziller in Austria, Wollenborg in Italy, Longuimine in Russia, and Sir Horace Plunkett in Ireland. These are all men of great ability, combining in their personality a high type of character along with an enthusiasm which refused to be balked by difficulty.

Most new departures from long-established custom must, in the first instance, find their chief support in such individuals. If the idea contains the germs of vitality, it will in time be taken into the social fabric and propagate itself. Many a Jesus has come to his Gethsemane in doubt as to whether or not his life work had been in vain. The promoters of co-operative credit associations have come in for their share of discouragement; but the great leaders have all lived to see their ideals in a large measure realized. Their example and their reward should give encouragement to those whose life's task takes a similar form.

In America there has never been any lack of leadership to champion a worthy cause. Let the need be sufficiently pressing, and there will be found men and women in plenty with the ability and courage to face the problem. The most momentous issue which confronts America to-day is that presented by the unequal distribution of wealth. Upon the solution of this problem hinges, to a great extent, the settlement of most of the burning questions which confront our industrial, social, political and intellectual life. We trust that we have made clear that co-operative credit associations, as Mr. Desjardins is bringing them before the people of Canada and the United States, suggest at least the possibility of ameliorating some of the econo-

mic anomalies. The need at present is for other leaders, with something of his enthusiasm and unselfishness, to work out adaptations of the co-operative principle which will meet the varied conditions of all our agricultural and industrial communities.

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